

Analysis of Quality Assurance Program Data: 2011-12

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Executive Summary

Schools participating in the Quality Assurance (QA) Program develop their own school procedures for verifying the accuracy of data instead of following federally prescribed verification of the information that students supply on their Free Application for Federal Student Aid (FAFSA) form.

During the 2011-12 award year, schools participating in this program analyzed Institutional Student Information Records (ISIRs) from the applicants who met their school verification selection criteria. This report combines the data from 143 schools and presents a program-wide analysis of 154,667 ISIRs. To provide insight into what recent selection criteria may be missing the report also used data from the 2010-11 random samples QA schools verified. In addition to the analysis of ISIR data, the report presents the results of a survey administered to the schools participating in the QA Program during the spring of 2012.

The major findings include:

- While only 143 schools participate in the QA Program, they collectively disbursed over 10 percent of all Pell Grant dollars during the 2010-11 award year.
- Nearly all of the QA schools found the ISIR Analysis Tool software (94 percent) and web-based training (90 percent) delivered by the QA program staff useful.
- Twice as many QA Schools indicated they modified their verification selection criteria between the 2011-12 and 2012-13 award years to reduce the number of applicants selected (49 percent) than to increase the number of applicants selected (25 percent).
- In 2011-12, nearly half (44 percent) of QA Schools continued to collect paper copies of federal tax returns to document untaxed income from at least some of their students who meet their school verification selection criteria, even if the applicant used the new IRS retrieval functionality of the FAFSA on the web. These QA schools believe they still need to review a complete copy of a family's tax returns to get the full picture of a family's ability to pay for college.
- In comparison to 2009-10, the applications QA schools selected for verification in 2011-12 corrected a greater percentage of potential Pell Grant over-awards and selected

a smaller percentage of records that did not experience a change to their eligibility for need-based aid.

- In the 2010-11 random sample data, 86 percent of Pell Grant dollars were awarded properly based solely on initial transaction data. Approximately 8 percent of initially awarded Pell Grant dollars constituted potential over-awards and the remaining 6 were potential under-awards. QA school verification prevented approximately half of both types of improper payments in the Pell Grant Program.
- The most effective QA school verification selection criteria in terms of correcting the largest average absolute value changes in Pell Grants or selecting the highest percentage of records with a Pell Grant change: concentrated on dependent students; combined multiple ISIR fields; focused on estimated filers; used data beyond what is available on the ISIR; incorporated information from the prior award years; and selected records with relatively high federal taxes paid to adjusted gross income ratios.
- The most efficient QA school verification selection criteria in terms of selecting only those records for whom verification affected their eligibility for need-based aid: targeted applicants with low Expected Family Contribution (EFC) but excluded zero; focused on dependent applicants; and included applicants that had an initial EFC that, while modest, was too high for Pell Grant eligibility.
- Based on data from 2010-11, where QA schools verified the accuracy of all randomly selected applicants, students are generally quite accurate in their initial reports of household size and number in college. These two ISIR fields are not available through the IRS data retrieval capacity of the FAFSA and are candidates for Central Processing System (CPS) targeted verification efforts. Within the minority that did misreport either of these fields, most also had other errors on their initial applications. The largest risk for improper payments is among applicants who misreport these counts of people and misreport other fields that factor into the calculation of EFC.

The consequences for these findings are explored in the concluding “Implications” section of the report.

Introduction

Federal, state, and private financial aid programs help students and their families finance higher education. Many of these aid programs are “need based;” they target students with the least ability to pay for college themselves. This targeting of aid is based on student and parental self-reports about their financial condition. Therefore, ensuring the accuracy of the student and family’s reported economic circumstances plays an important role in providing access to federal financial aid to eligible students and families. Colleges and universities routinely check the accuracy of a subset of aid applications during a process called “verification.” This report examines the verification at schools participating in the Quality Assurance Program of the U.S. Department of Education (ED).

Schools participating in the QA Program develop their own school procedures for verifying the accuracy of the information that students supply on their FAFSA. The information submitted by students on their FAFSAs is sent electronically to schools on ISIRs. The data on the ISIRs includes all the elements used to calculate students’ EFC toward their postsecondary expenses. The difference between the total price of attending a specific college or university and a student’s EFC determines his or her eligibility for need-based Title IV programs. Undergraduate applicants with an EFC less than 5,273 in 2011-12 were generally eligible for a Pell Grant.

During the 2011-12 award year, schools participating in this program analyzed ISIR data from the applicants who met their school verification selection criteria. The schools uploaded the initial ISIR information and any subsequent changes their school verification efforts detected into the ISIR Analysis Tool (the Tool). Schools used the Tool to generate statistical reports to evaluate the results of their own verification procedures.

FSA’s CPS provided a data file containing the 154,667 ISIRs uploaded by 143 QA schools.

This report presents the results of the program-wide analysis of these data. Because the 2011-12 data includes only those applicants who met one or more QA School verification criteria, we augmented this analysis with data from the 2010-11 random sample. During the 2010-11 award year QA schools drew a random sample of at least 350 applicants from their entire aid applicant population and completed federal verification worksheets, processing any changes detected. We also present the results of the annual survey of QA Program participants.

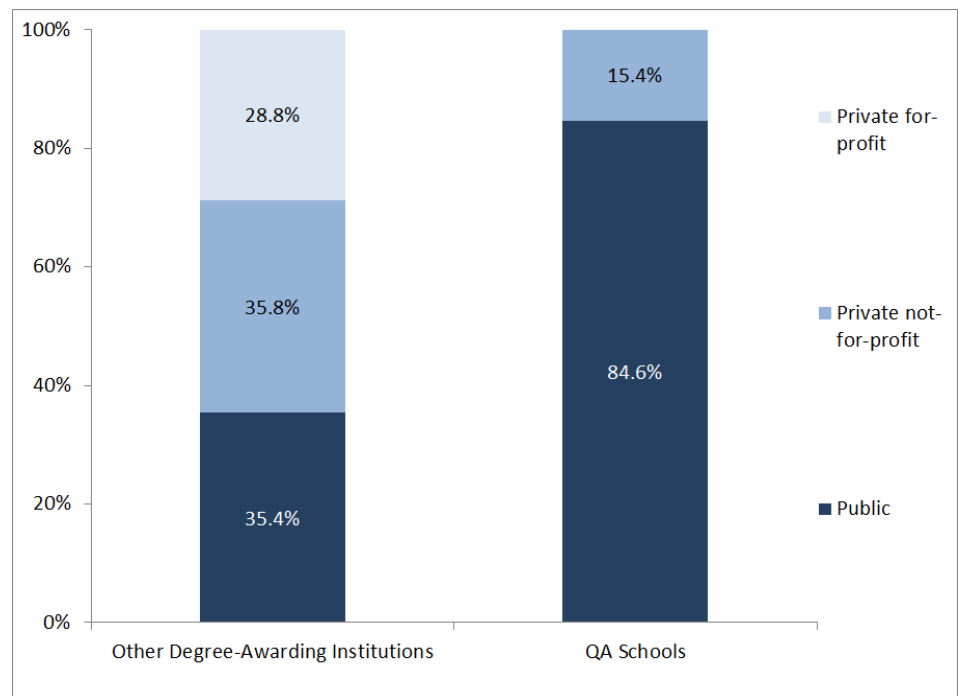
We begin with a description of the QA program and the participating schools. This description is followed by the results of a survey of program participants conducted during the spring of 2012. We then examine the impact of QA School verification on potential improper payments in the Pell Grant programs. Next, we review the overall efficiency and effectiveness of QA School verification efforts in selecting high proportions of records that experienced a change to a Pell Grant or EFC. This program-wide review of the efficiency and effectiveness of QA School verification is followed by a presentation of single-school selection criteria that perform extremely well in selecting records with changes to Pell Grants or avoiding the selection of records with no change to EFC. Next we look at the effect corrections to two ISIR data elements FSA is considering for targeted verification, household size and number in college, have on the accuracy of Pell Grant awards. We conclude by pointing out some of the implications of our findings.

Descriptions of schools participating in the Quality Assurance Program

It is important to keep in mind, when interpreting the results here, that QA schools are not a random subset of all higher education institutions participating in the Title IV programs. Both the school's initial decision to apply for and the ED's decision to allow participation in the QA Program depend on a school's willingness to demonstrate a commitment to improving the quality of administration of Title IV aid.

In addition to being willing to take an active role in improving the accuracy of aid awards on their campus, the QA schools providing data for these analyses are concentrated in the public four-year sector of higher education. See **Figure 1**. While a handful of public two-year schools participate in the QA Program there are substantially fewer than among other degree-granting institutions. There are currently no for-profit schools participating in the QA program.

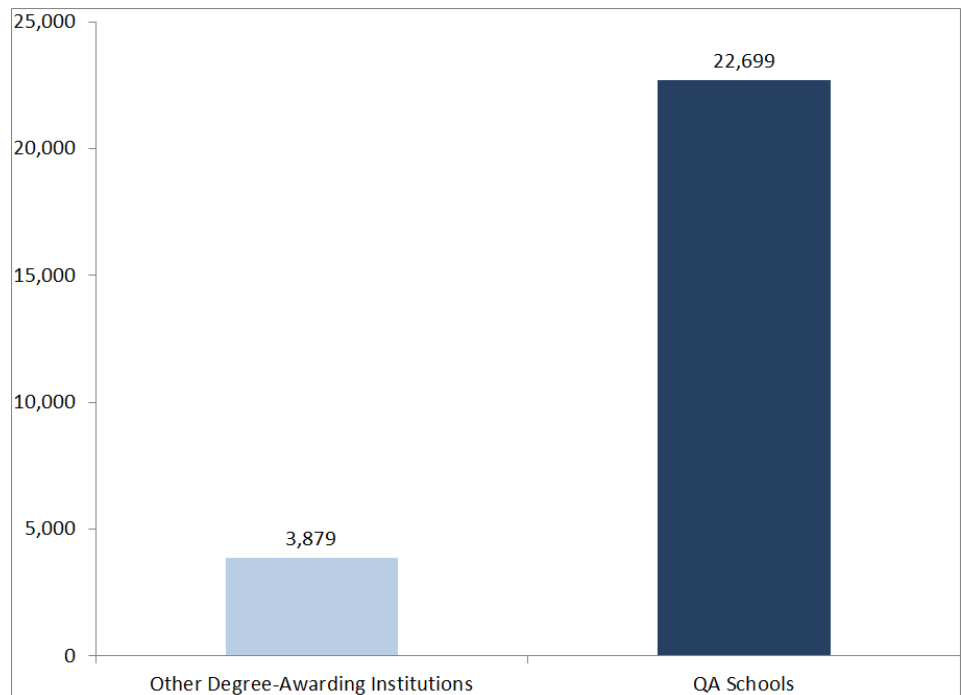
Figure 1: QA and Non-QA Program Schools by Sector



Sources: *Quality Assurance Program and Integrated Postsecondary Education Data, 2011–12.*
QA Schools N = 143, Non-QA Schools N = 4,645.

QA schools tend to enroll considerably more students than non-QA schools. **Figure 2** provides the average enrollment at QA schools and non-QA schools. Note that on average, QA schools enroll nearly six times as many students than other degree-awarding institutions that submitted data to ED's Integrated Postsecondary Education Data System (IPEDS).

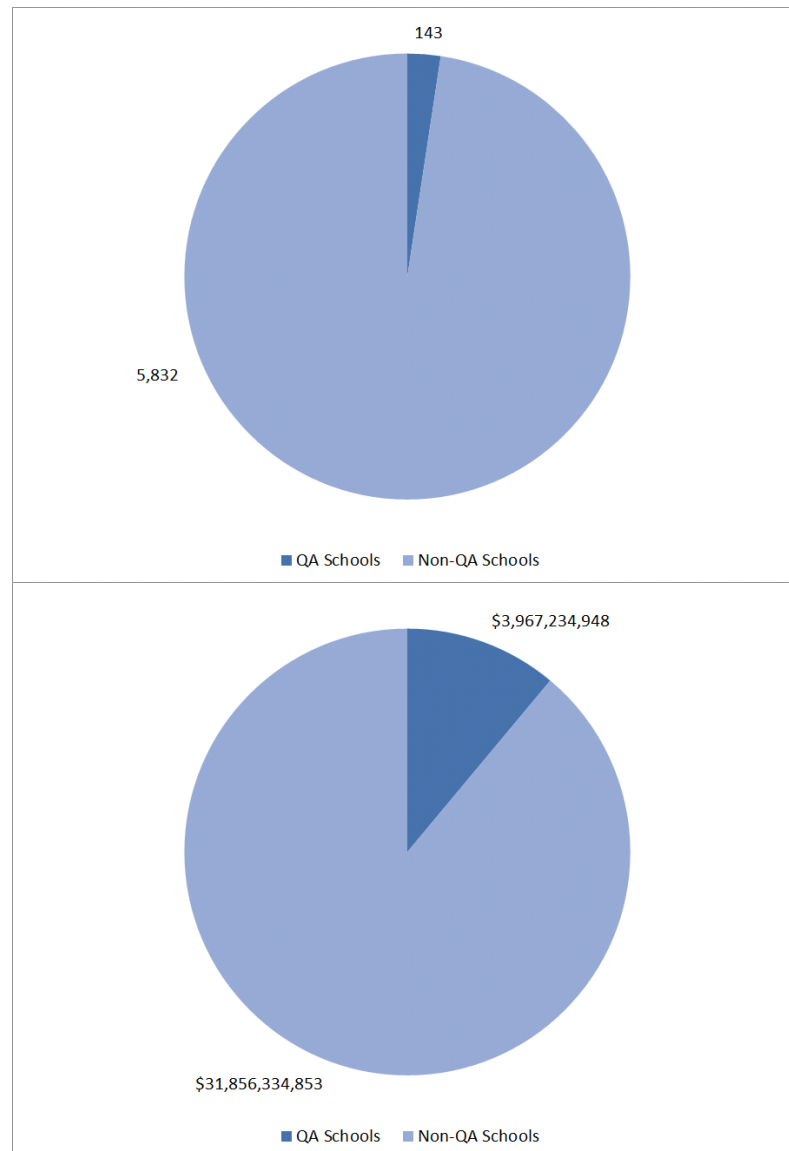
Figure 2: Average Enrollment at QA and Non-QA Program Schools



Sources: *Quality Assurance Program and Integrated Postsecondary Education Data, 2011–12.*
QA Schools N = 143, Non-QA Schools N = 4,645.

Because they enroll so many students, QA schools award a much larger share of federal financial aid than one might expect given the small number of schools. While the 143 QA schools comprise less than three percent of the 5,975 campuses that disbursed Pell Grants during the 2010–11 award year, based on data from the National Student Loan Data System (NSLDS) the QA schools disbursed over 10 percent (\$3.97 billion) of all Pell Grant dollars during the 2010-11 award year. See **Figure 3**.

Figure 3: Schools that Disbursed Pell Grants and Billions of Dollars of Pell Disbursements made by Quality Assurance Program Participation Status during the 2010-11 Award Year



Sources: Quality Assurance Program 2011-12 and National Student Loan Data System, 2010–11.

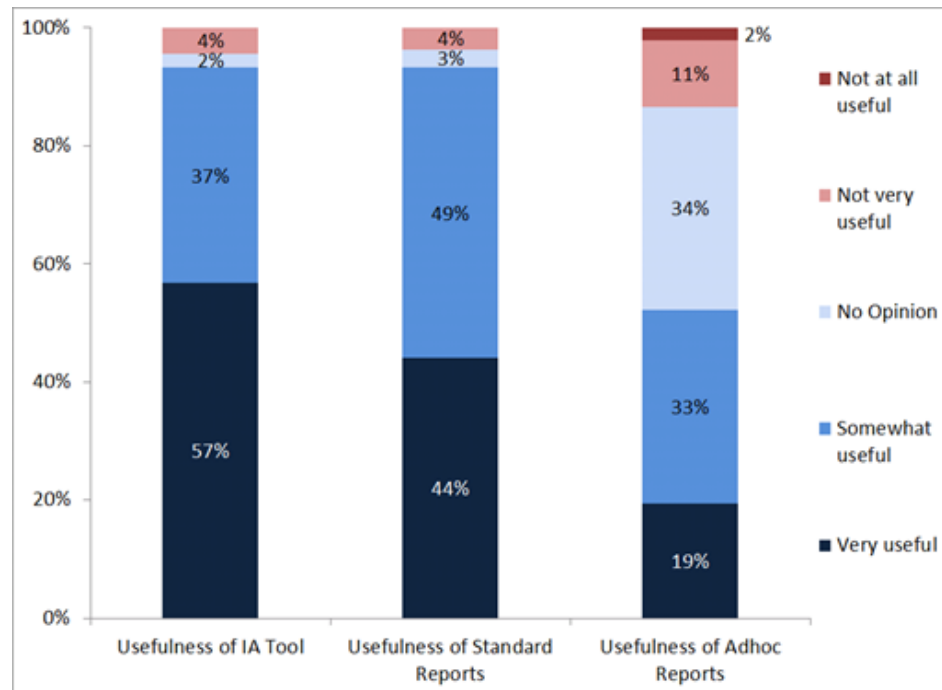
Survey of QA Program Schools

During the spring of 2012, FSA asked the QA schools to complete a customer satisfaction survey. This survey solicited feedback from QA program participants on the usefulness of the Tool and of hands-on and on-line training provided. It also asked a number of questions about their school verification process. We provide a copy of the survey questionnaire in the appendix.

The survey included six measures of the Tool's usefulness. The first asked schools to rate the overall usefulness of the Tool. The second asked schools to rate the overall usefulness of the standard reports available in the Tool. The third asked whether the school found each of the seven standard reports available in the Tool useful. Questions 4-6 asked about the usefulness of two new shared reports and the ad hoc reporting capacity of the Tool.

Figure 4 presents the distribution of responses for the 134 schools that responded to the survey regarding the overall usefulness of the Tool and the shared and ad hoc reports. Nearly all of the QA schools expressed a positive opinion of the Tool; 94 percent of schools indicated that overall they found the Tool to be “somewhat” or “very” useful. The percent of positive responses for the standard reports was nearly as high. Over a third of the respondents indicated “no opinion” for the ad hoc reports. This could be because QA schools use the Tool differently and a large minority of schools may not use the ad hoc reports at all.

Figure 4: Percentage of Responses of Quality Assurance Schools Assessing Usefulness of the ISIR Analysis Tool, Ad hoc and Shared Reports

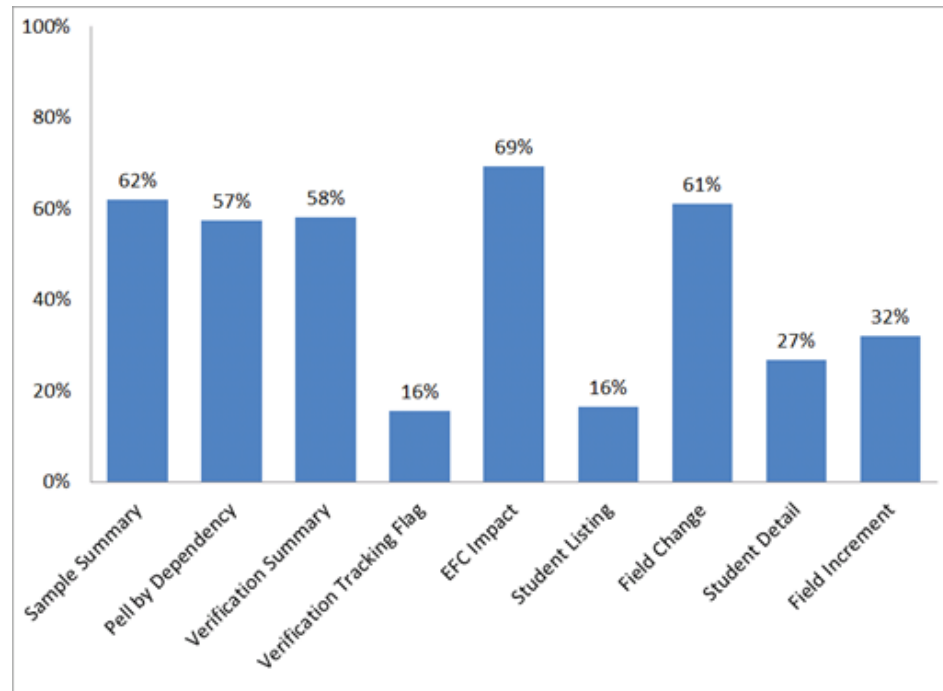


Source: Quality Assurance Program Survey 2011-12. N = 134.

The survey also asked schools to indicate whether they found each of the standard reports available in the Tool to be useful. Seven standard reports are available in the Tool for schools to use in analyzing changes to ISIR data and the impact changes to ISIR data have on EFC and Pell Grant eligibility.

Figure 5 below presents the percentage of respondents that found each report useful.

Figure 5: Responses of Quality Assurance Schools to Survey Items Assessing Usefulness of the ISIR Analysis Tool Standard Reports



Source: Quality Assurance Program Survey 2011-12. N = 134.

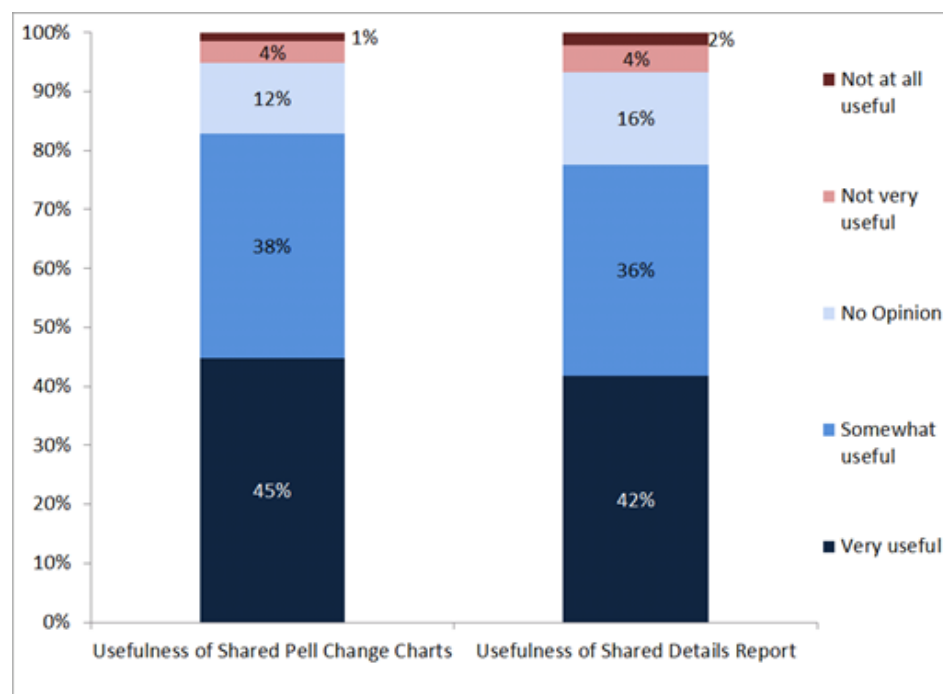
The EFC Impact Analysis Report had the highest percentage of respondents that found the report useful. Over two-thirds, 69 percent, indicated the report was useful. The EFC Impact Report is a graph that displays the five ISIR elements with the highest number of field changes distributed across three EFC ranges: zero; 1-5,273; and 5,274-99,999. The Field Change Report and Sample Summary Report closely followed in usefulness among the seven standard reports. The Verification Tracking Flag, Student Detail, and Student Listing reports were found to be the least useful, with between 16 and 27 percent of schools indicating they found those reports useful. The three aforementioned reports provide data on individual students that users may find easier to obtain through running ad hoc reports within the Tool or on their school's data processing system.

The survey also asked schools to evaluate the usefulness of two new reports made available as shared report templates. The first report, referred to as the "Pell Change" chart, provides a graphical

representation of the number of records and sum of absolute value changes to Pell Grants in various student groups. The second “Details” report, an active HTML report, allows schools to create their own roll-up and pivot tables to conduct in-depth analysis of the changes to ISIR data.

Figure 6 presents the distribution of school responses to these survey items. Over 80 percent of the schools found the shared “Pell Change” charts to be “somewhat useful” or “very useful.” Responses regarding the usefulness of the shared “Details” report were similar to the Pell Change chart, with just slightly fewer respondents finding this report to be at least somewhat useful. A small minority of responses had “No Opinion” regarding the usefulness of both reports. This could be due to respondents not having the opportunity to receive training on how to run and interpret both reports.

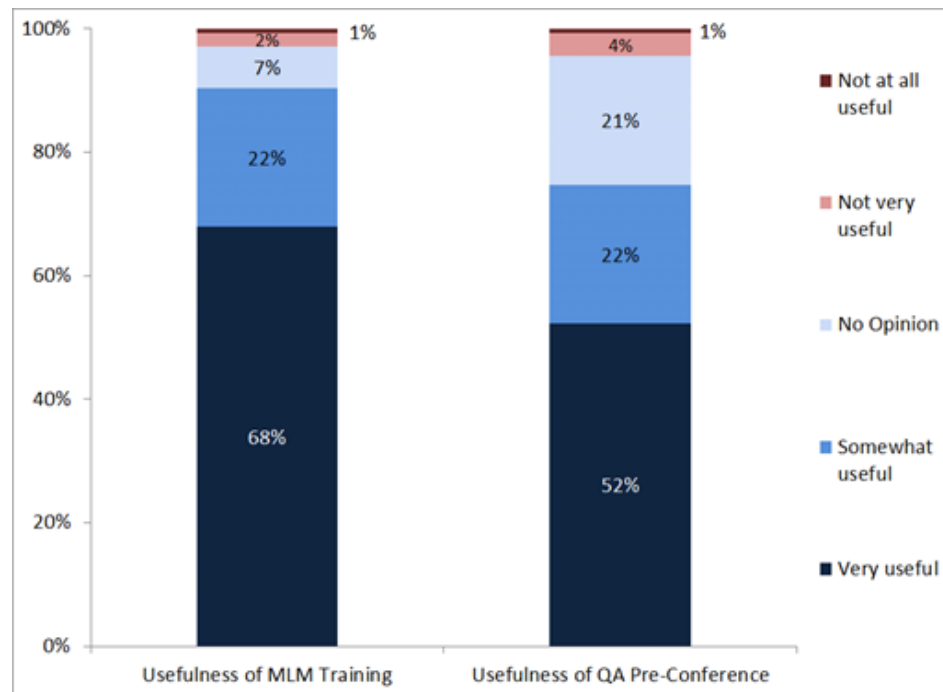
Figure 6: Percentage of Quality Assurance Schools Reporting the Usefulness of Two New Shared Reports



Source: Quality Assurance Program Survey 2011-12. N = 134.

The next two questions of the survey asked respondents to evaluate the usefulness of on-line training as well as QA Pre-Conference sessions presented by QA Program Staff during the fall of 2011. **Figure 7** presents these results.

Figure 7: Percentage of Quality Assurance Schools Reporting the Usefulness of Microsoft Live Meeting Training and QA Pre-Conference Sessions



Source: Quality Assurance Program Survey 2011-12. N = 134.

Ninety percent of respondents found the MLM training presented during the fall of 2011 “somewhat useful” to “very useful.” Schools seemed to appreciate the flexibility that on-line training affords. MLM training allows multiple staff members to participate without incurring the travel expenses of attending conferences or workshops.

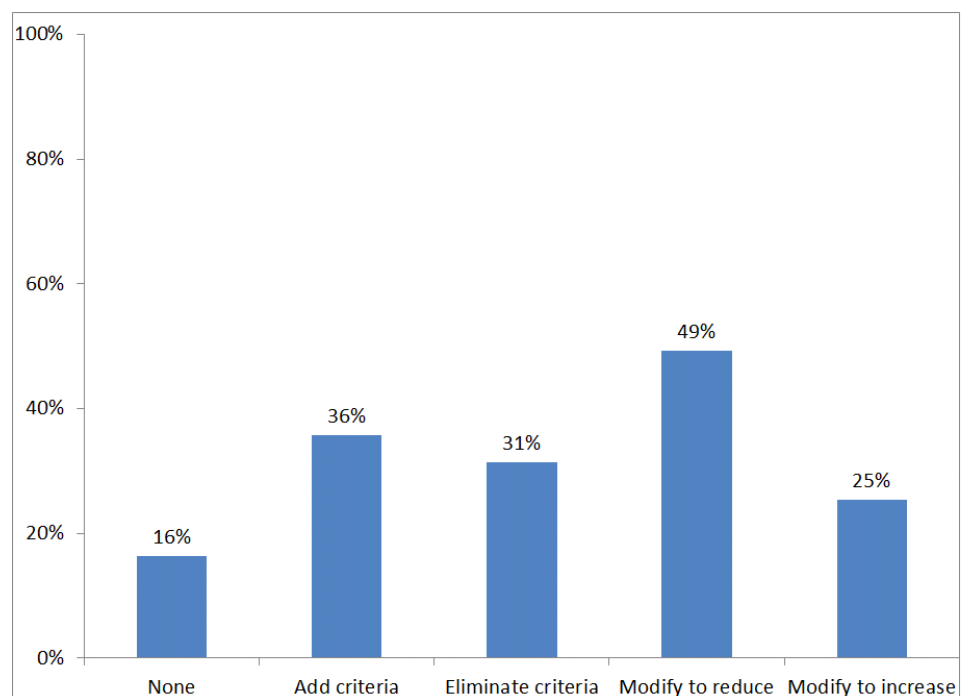
A smaller percentage of QA Schools found the QA Pre-Conference to be “somewhat useful” or “very useful” than the on-line training, but this is primarily due to a greater number of respondents having “no opinion.” Presumably they held no opinion because they were unable to attend.

The next three survey questions requested counts of staff members attending the on-line training, using the Tool, and involved in deciding school verification criteria. School responses indicated that on average two staff members attended the on-line Microsoft Live

Meeting training sessions last fall. The average number of staff using the Tool was also two. An average of four staff were involved in setting school verification criteria. Having more staff involved in the decision-making process may lead to greater accountability and help ensure consistent policies and procedures being applied throughout the verification process.

Question 14 of the survey asked schools to describe the changes made to their verification selection criteria between the 2011-12 and 2012-13 award years. **Figure 8** indicates almost half the schools modified criteria to reduce the number of records selected. Roughly one-third of the schools indicated they added one or more completely new criteria or completely eliminated one or more criteria. Note that only 16 percent of schools made no changes to the criteria between the award years. The responses sum to greater than 100 percent because some schools modified their criteria in multiple ways.

Figure 8: Percentage of Quality Assurance Schools Reporting the Types of Changes Made to Verification Selection Criteria

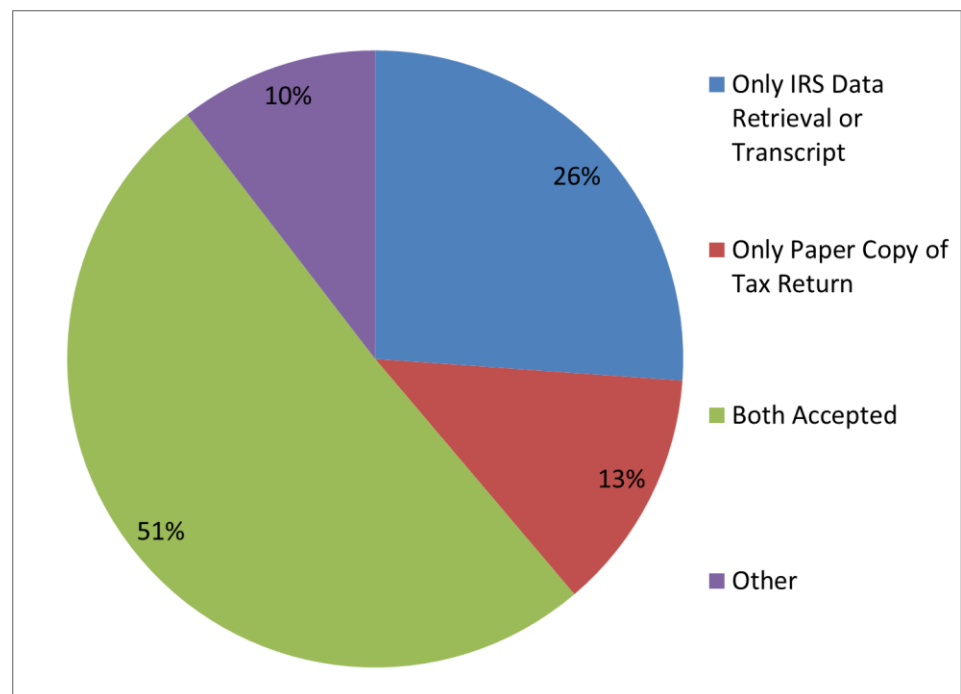


Source: Quality Assurance Program Survey 2011-12. N = 134

Survey questions 15-16 focused on the approach QA schools used to document Adjusted Gross Income and Federal Taxes Paid as well as the schools' approach to verification for applicants who used the IRS Data Retrieval and did not make changes on their initial or subsequent transactions.

Figure 9 illustrates the variety of approaches QA schools used to document Adjusted Gross Income and Federal Taxes paid. Over half the respondents indicated they accept student use of the IRS Data Retrieval function within the FAFSA, an IRS Tax Transcript, or paper tax return. One-quarter of the QA schools insist on documentation directly from the IRS, either using the Data Retrieval functionality of the FAFSA or an IRS tax transcript. Another 13 percent of QA schools have found through their analysis that the only way they can document the total financial circumstances of an applicant's family is to collect the paper tax return and applicable schedules. These schools are not convinced data provided through the IRS data retrieval or supplied on the tax transcript provides enough information to determine a student's eligibility for Title IV and other need-based aid.

Figure 9: Percentage of Quality Assurance Schools Reporting Approaches for Documenting Adjusted Gross Income and Federal Taxes Paid

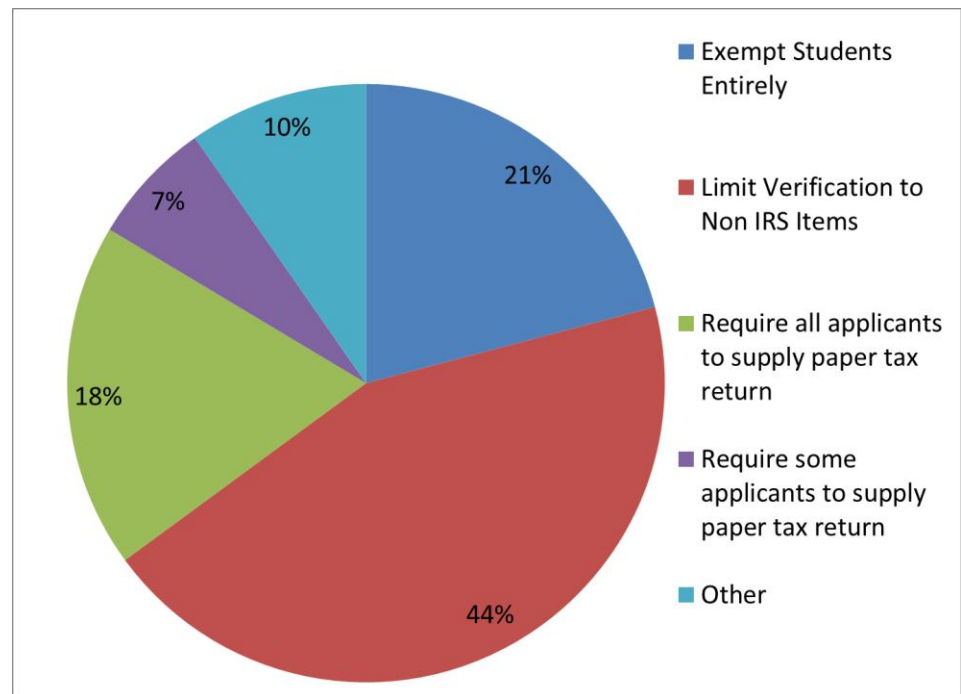


Source: Quality Assurance Program Survey 2011-12. N = 134

Figure 10 presents the distribution of school approaches to handling verification for applicants who use the IRS data retrieval function and make no changes on the initial FAFSA application. Nearly half of the schools indicated they would limit verification to non-IRS items

for applicants who did not make changes to data provided by the IRS. About a fifth of schools indicated they would exempt students entirely from additional verification. Another fifth would require all applicants to supply a paper tax return. A small number of schools indicated they required only some applicants to supply a paper tax return or took another approach.

Figure 10: How Quality Assurance Schools Conduct Verification of Aid Applicants Using the IRS Data Retrieval

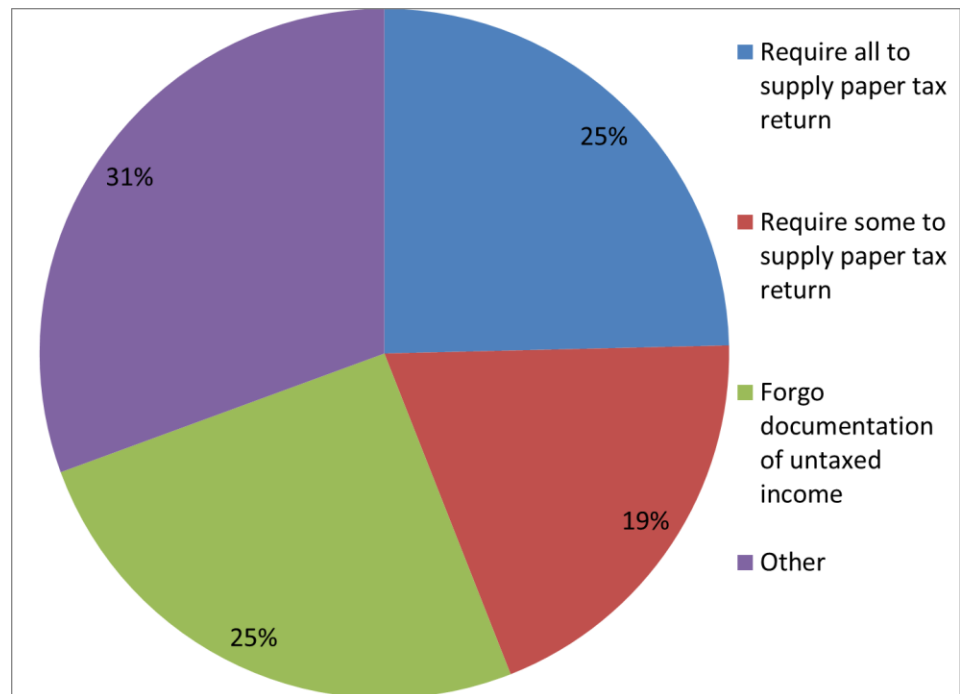


Source: Quality Assurance Program Survey 2011-12. N = 134

Applicants using the IRS Data Retrieval functionality when completing the FAFSA satisfy verification requirements for income-related items reported on the tax return. What is not provided through the IRS Data retrieval or tax transcript, however, are untaxed income data items that play a role in determining a student's eligibility for Title IV aid. The survey asked schools to describe how they documented untaxed income data not provided through the IRS data retrieval or IRS tax transcript.

Figure 11 presents the distribution of school policies for documenting untaxed income when an applicant uses the IRS data retrieval and makes no changes on their initial application. Only a quarter of the schools indicated they simply waived the documentation of untaxed income if a student met their school verification criteria and used the IRS data retrieval functionality of the FAFSA. Nearly half required paper tax returns from at least some of these applicants and almost a third took an approach other than copies of tax returns to document values of untaxed income.

Figure 11: Responses of Quality Assurance Schools Reporting Procedures Used to Document Untaxed Income Data Elements Not Provided by the IRS Data Retrieval or the IRS Tax Transcript

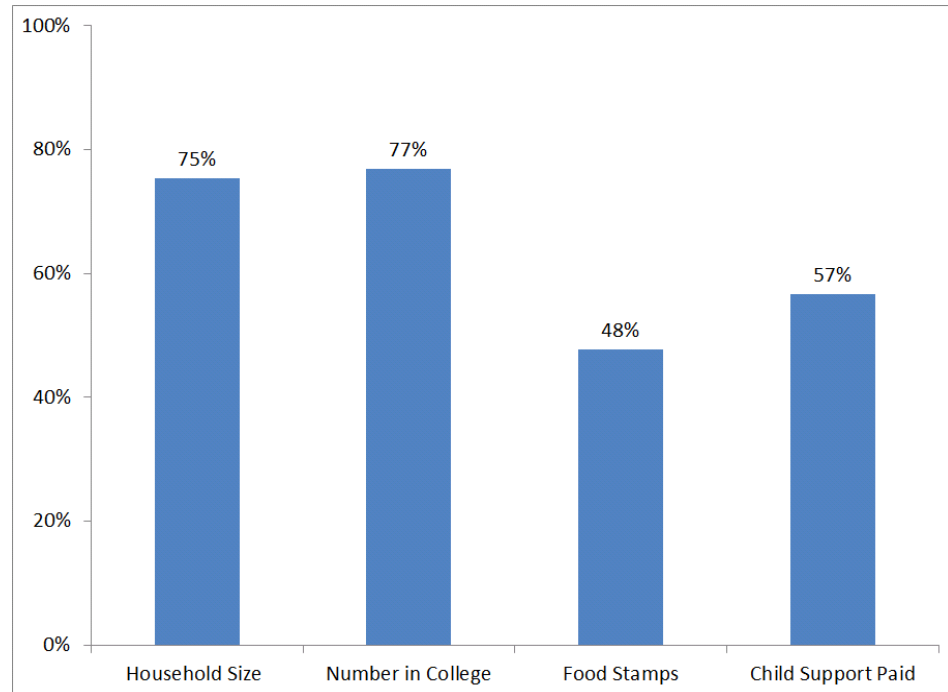


Source: Quality Assurance Program Survey 2011-12. N = 134

The responses to this survey question and the previous one illustrate that QA schools use a variety of approaches to verify the accuracy of applicant data and do not rely solely on IRS data retrieval or tax transcript.

Questions 18-21 of the survey focused on whether QA schools applied federal documentation requirements when verifying FAFSA data elements not available from IRS data. **Figure 12** presents the distribution of responses to the four survey questions.

Figure 12: Percentage of Quality Assurance Schools That Follow Federal Procedures to Document Non-Tax Return FAFSA Data Elements



Source: Quality Assurance Program Survey 2011-12. N = 134

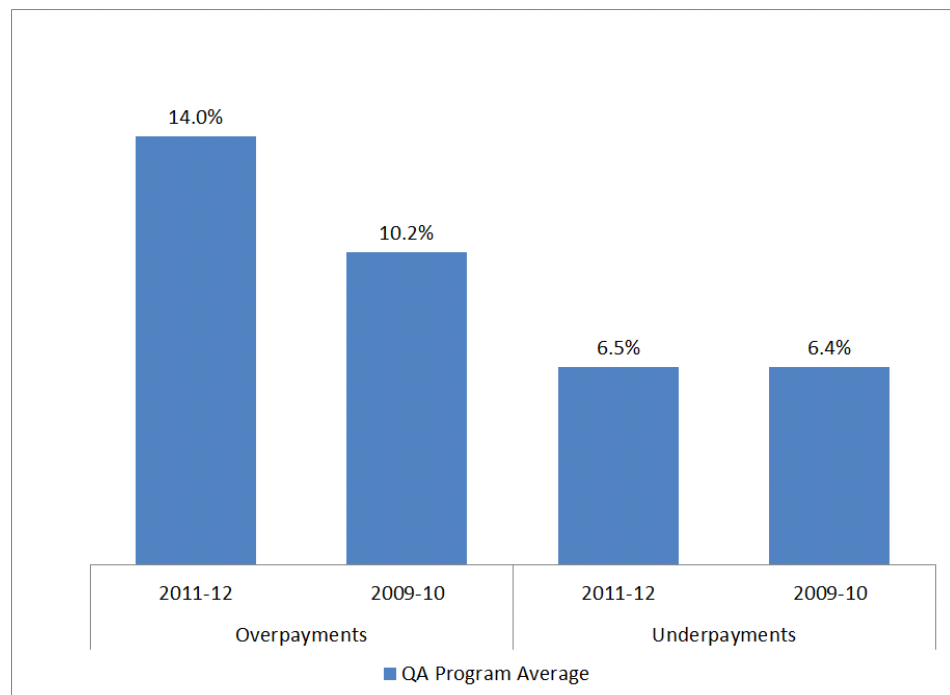
It is not surprising that over three-quarters of respondents indicated they always require a statement signed by the applicant and/or applicant and at least one parent to document household size and number enrolled in postsecondary education. Currently, these data elements are not captured through the IRS data retrieval or the IRS tax transcript, but play an important role in determining the student and parental contribution. Respondents were less likely to always follow federal documentation requirements to verify data elements recently added to federal verification related to child support paid and food stamps.

We turn now to evaluation of how well QA school verification has performed in ensuring the accuracy of financial aid awards.

Potential Improper Payments in the Pell Grant Program

Below we assess the ability of schools to prevent “potential” improper payments in the Pell Grant program. We qualify our results with the word “potential” because an unknown percentage of initial errors would have been self-corrected by the students involved even if they had not been selected for verification. **Figure 13** represents the program-wide averages for improper payments detected through institutionally developed verification criteria during the 2009-10 and 2011-12 award years.

Figure 13: Potential Improper Pell Grant Payments Corrected by QA School Verification: 2011-12 and 2009-10



Source: Quality Assurance Program Data. 2011-12, N=154,667 and 2009-10, N=148,290

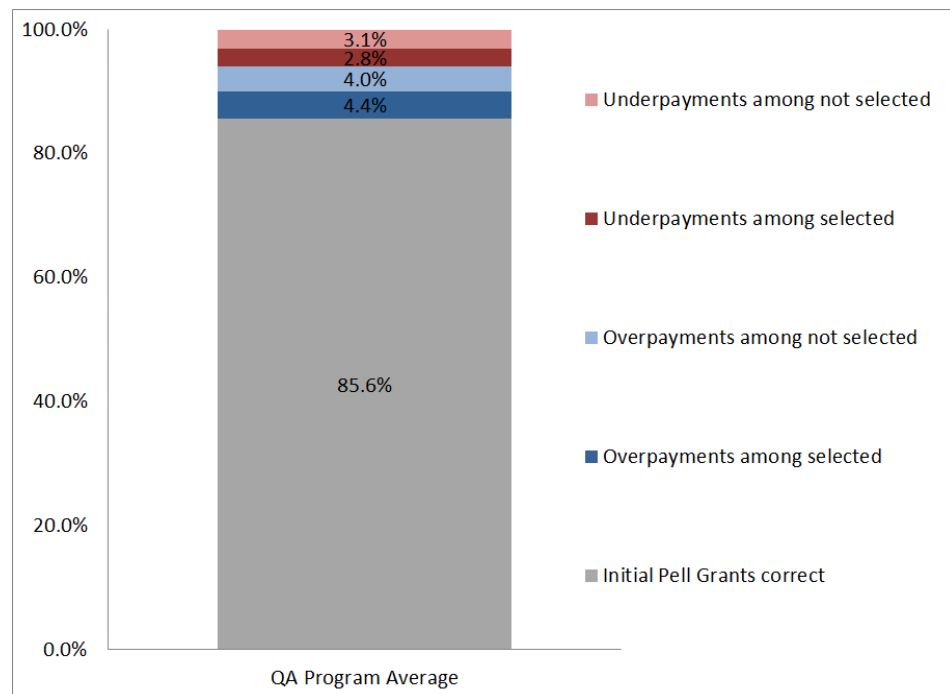
The data displayed above reflect only those records that met the school criteria. The values reflect the percent of Pell Grant dollars that could have potentially been improperly awarded based on the initial transaction, but were corrected by school verification procedures. In 2011-12, Pell Grant overpayments found by QA school verification efforts constituted 14 percent of Pell disbursements. The percentage of overpayments detected through school verification procedures increased by almost 4 percentage points from the 2009-10 award year.

Equally important is ensuring applicants receive all the aid to which they are entitled. In 2011-12, QA school verification corrected

potential underpayments equal to 6.5 percent of initial Pell Grant awards. This percentage has virtually unchanged from the 2009-10 award year (6.4 percent).

Figure 14 represents information from the 2010-11 award year, when QA schools were required to draw a random sample of all applicant records. The random sample exercise provides QA schools with data about the complete potential for improper Pell Grant payments and how well their school verification efforts are addressing the issue.

Figure 14: The Effectiveness of QA School Verification in Correcting Potential Improper Pell Grant Payments: 2010-11



Source: Quality Assurance Program Data. 2010-11, N=64,310

In the bar graph above, the first thing to notice is the large grey section, which shows that the vast majority of Pell Grant award levels allocated on the basis of the information provided on the initial ISIR were correct and were not changed by the documentation exercise of the sample. The dark blue and red represent over- and underpayments that would have been corrected by school verification efforts even if the applicants were not in the sample because they would have hit school selection criteria. The lighter blue and red in the bar graph represent potential over and underpayments not addressed by normal school verification efforts.

The sample data indicate QA school verification corrects approximately half of the potential Pell Grant overpayments and underpayments in their applicant populations. It is important to

acknowledge that some of the applicants in both the school selected and not selected groups would have corrected their FAFSA information on their own.

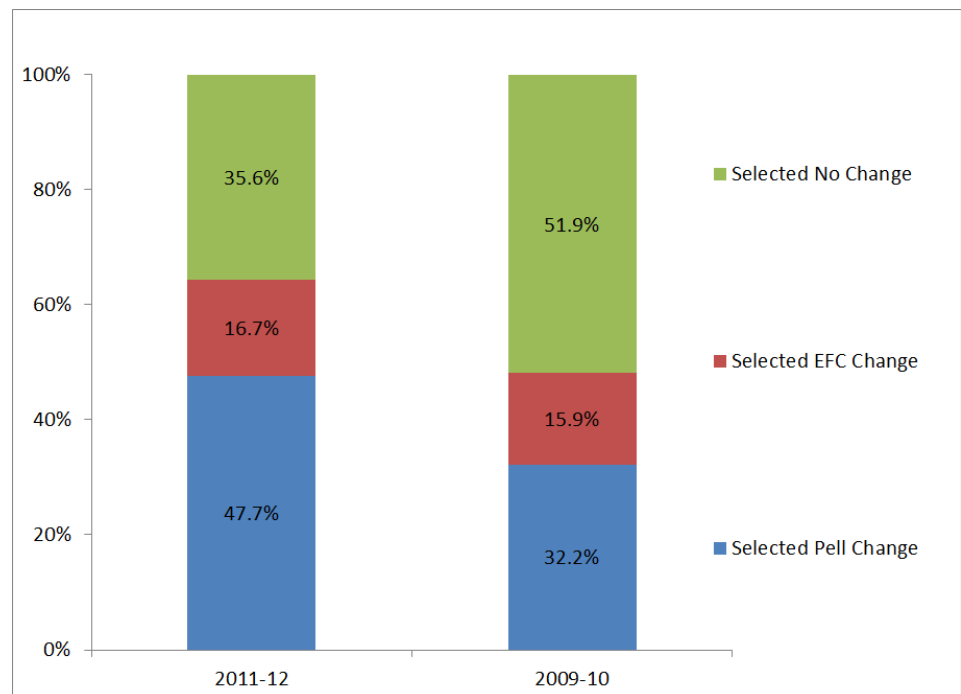
QA Schools also use their verification efforts to ensure the accuracy of need-based aid beyond Pell Grants, e.g., Campus-Based, Subsidized Direct Loans, state grants, and the school's own need-based grants. The next section expands our analysis of the program-wide efficiency to encompass changes to EFC in addition to changes in Pell Grants.

Efficiency and Effectiveness of QA School Verification

The basic idea behind the QA Program is to empower participating schools to focus their verification efforts on applicants that need to be verified. If a student's EFC is unchanged by verification, then the resources the school spends on that verification are wasted. Reducing the number of students who are selected for verification and experience no change improves the efficiency of school verification. Conversely, when a need-based award that would have been corrected by verification is awarded to a student who does not meet a school's selection criteria, it diminishes the effectiveness of the schools' efforts to ensure the accuracy of aid awards.

Figure 15 provides a look at the outcomes of QA school verification during the 2011-12 and 2009-10 award years. The comparison indicates QA school verification procedures have become noticeably more efficient. In 2009-10, more than half (51.9 percent) of the records selected for verification experienced no change to a Pell Grant or even EFC. By 2011-12 nearly half, 48 percent of records experienced a Pell Grant change, and close to 17 percent of records had an EFC change. Nearly two-thirds of records selected by school verification criteria experienced a change that could at least potentially affect a need-based award.

Figure 15: Efficiency of QA School Verification: 2011-12 and 2009-10

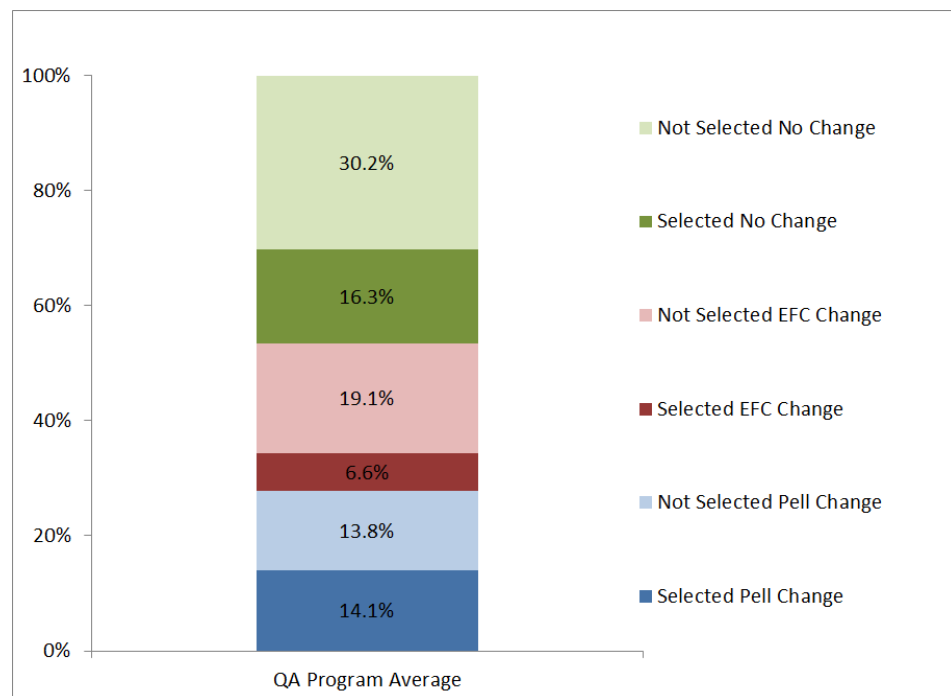


Source: Quality Assurance Program Data. 2011-12, N=154,667 and 2009-10, N=148,290

Based on the results in Figure 15, QA schools made significant progress toward improving the efficiency of their verification selection criteria. By 2011-12, QA schools reduced the percentage of records selected for verification that did not experience a change in eligibility for need-based aid to roughly a third. Several factors could have played a role in reducing the number of records targeted without change, specifically: in-depth data analysis training provided by QA Program Regional Representatives and improved report capabilities in the Tool.

Figure 16 provides information about the performance of school verification during the 2010-11 award year when QA schools were required to select a random sample of applicant records. The blue sections of the graph represent records that experienced a change to a Pell Grant when verified; red sections experienced an EFC change, but not a change to a Pell Grant; and green sections experienced neither. The darker shade of each color would have been selected by QA school verification criteria even if they had not been drawn into the random sample.

Figure 16: Effectiveness of QA School Verification: 2010-11



Source: Quality Assurance Program Data. 2010-11, N=64,310

The two blue sections together indicate 27.9 percent of records experienced a change to a Pell Grant and QA school verification would have selected just over half of these (14.1 percent). The red sections indicate QA school verification criteria selected only about one quarter of records that experienced only a change to EFC.

Nearly half of the records in the random sample did not experience a change in either EFC or Pell Grant award. QA schools would have selected roughly a third (16.3 percent out of 46.5 percent) of the no change records for verification.

We noticed a trend toward more efficient school verification when comparing the results from 2011-12 to 2009-10. In the next section we look at the most efficient individual school criteria submitted by QA schools.

Most Efficient QA School Selection Criteria

Schools participating in the QA Program used alphanumeric codes to identify which specific institution selection criteria each record met. Schools uploaded this information into the Tool and we assessed the efficiency of these individual criteria using three metrics. The first two of these metrics measured how well school criteria addressed potential improper payments in the Pell Grant program. Specifically, we calculated the average absolute value change to Pell Grants and the percent of records experiencing a change to a Pell Grant. The third metric captured the efficiency of each school criterion by calculating the percentage of records selected that experienced an EFC change when subjected to verification.

We calculated all three metrics for the 2,913 criteria submitted by the 143 schools providing ISIR data for the 2011-12 award year. We identified the criteria scoring the highest on each of three metrics. We then contacted the schools with the highest scores and asked for a description of their criteria.

In the following tables, we present these criteria descriptions accompanied by the value on the metric recorded by the host school during the 2011-12 award year.

To provide a sense of how generalizable the criteria are, we provide the value of the metric calculated by applying the criteria to the 2010-11 combined random sample. To provide a sense of the additional verification burden associated with each criterion, we provide the percentage of the random sample that met the conditions specified. A few criteria incorporated school-specific information not available on the ISIR and thus these calculations based on the combined random sample are not available for all criteria.

Table 1, on the next page, presents the 10 criteria that selected records where the average absolute value change among all records selected exceeded \$1,300. The average Pell Grant change among records selected by the CPS in the combined QA random sample from 2010-11 was \$551. The average change for records selected by QA School selection criteria in 2010-11 was \$530.

Table 1: QA School Criteria with Highest Average Absolute Value Pell Change

Criteria Description	Average Pell Change at School	Average Pell Change in Random Sample	Percent of Random Sample Meeting Criteria
Dependent students, parent contribution less than \$20,000; parent reports negative AGI	\$1,903	\$326	0.60%
Dependent students, financial need of at least \$200; did not use IRS retrieval with no changes, parent taxes paid greater than 30% parent AGI	\$1,667	Institution-specific data not available in sample	
Dependent student; EFC \geq 0 and EFC \leq \$8,000; Parent tax paid $>$ 0; Parent adjusted gross income $>$ 0; and Parent tax paid $>$ 20% of parent AGI	\$1,571	\$2,516	0.33%
Dependent student; EFC $<$ 15,000; parent paid \$10,000 to school in prior year; and that amount paid was \$5,000 greater than current AGI	\$1,539	Institution-specific data not available in sample	
Special code that was created for the counselors to use if they were reviewing reports and saw unusual changes to the SAR that caused major changes/reductions in the EFC among records not selected for school verification	\$1,483	Institution-specific data not available in sample	
Student indicated legal guardianship	\$1,469	\$678	0.51%
Dependent students; Adjusted Gross Income $>$ \$31,000; Parents US income tax paid $>$ \$2,399; and Student EFC $<$ the current Pell EFC maximum	\$1,459	\$1,141	7.52%
Dependent students; Parent taxes paid exceeds 16% of Parent AGI	\$1,405	\$2,455	0.35%
Pell eligible student who did not receive federal or alternative loans and who paid at least \$5,000 to school during previous academic year	\$1,350	Institution-specific data not available in sample	
Dependent students; EFC between \$1 and \$6,000; Parent AGI between \$20,000 and \$75,000; and tax filing status of "Will File" (Unless the parent(s) used the IRS function and did not alter data)	\$1,335	\$1,082	8.48%

Source: Quality Assurance Program Data. 2011-12, N=154,667 and 2010-11 N=64,310

The school selection criterion with the highest average absolute value change (\$1,903) selected dependent students whose parents reported negative adjusted gross incomes, unless the parent contribution (from assets) exceeded \$20,000.

Seven of the ten criteria with the highest average change to Pell Grants focused on exclusively dependent students. Two of the ten did not take dependency status into account. The final criteria targeted applicants who achieved independent status on the basis of claiming to be in a legal guardianship on their initial FAFSA application.

Eight of the ten criteria combined multiple ISIR fields to identify students to verify. Four of the ten identified unlikely combinations of parents' federal taxes paid and parent adjusted gross income amounts. Note that the two criteria with the highest average change when applied to the random sample involve unusually high ratios of taxed paid to adjusted gross income.

Table 2, on the next page, presents nine criteria that were extremely efficient in terms of only selecting records that experienced a change in a Pell Grant when verified. Among the records selected by each, at least 90 percent experienced a change to a Pell award. For comparison, less than half of records (43.9 percent) selected by the CPS in the combined QA random sample from 2010-11 experienced a change to a Pell Grant. The percent of records selected by QA schools in 2010-11 was even lower, 37.8 percent.

The highest percentage of over 95 percent selected dependent students with parent AGI between \$40,001 and \$70,000 who were estimated filers. Note that the fourth criteria listed, Pell-eligible with Parent AGI greater than \$31,000, etc. also recorded the seventh highest average change to Pell Grant in Table 1.

All nine criteria combined multiple ISIR data elements. All targeted the Pell eligibility range either explicitly using EFC or indirectly using adjusted gross income. Eight of the nine targeted exclusively dependent students, while the remaining criterion exclusively targeted independent students. Six of the nine exclusively targeted estimated filers.

Table 2: QA School Criteria with Highest Percent of Records with Pell Change

Criteria Description	Percent at School with a Pell Change	Percent in Random Sample with a Pell Change	Percent of Random Sample Meeting Criteria
Dependent students; Parent AGI between \$40,001 and \$70,000; estimated filer	95.10%	65.4%	7.50%
Dependent Pell Grant-eligible; parent estimated filer; and Parent AGI between \$35,000 and \$70,000 when number in college is one or Parent AGI between \$70,000 and \$140,000 when number in college is two or more	93.33%	44.5%	8.18%
Dependent students; EFC between \$1 and \$5,273; Filing Status estimated; and Parent AGI between \$20,000 and \$75,000	93.07%	84.7%	8.06%
Dependent students; Adjusted Gross Income > \$31,000; Parents US income tax paid > \$2,399; and Student EFC < the current Pell EFC maximum	93.07%	81.7%	7.52%
Independent undergraduate students; no professional judgment; single; household size of 1; estimated filer; EFC > \$99 and <= Pell eligible (\$5,273)	91.67%	38.9%	1.79%
Dependents Pell-eligible students; no professional judgment; estimated filers; Parent AGI between \$31,000 and \$75,000	91.64%	85.1%	7.46%
Dependent students; parents filed; and EFC between \$2,001 and \$4,000	91.39%	69.9%	5.74%
Dependent students; parent estimated filer; Parent AGI between \$31,000 and \$99,999; Parent taxes paid less than \$2,400; Household size greater than or equal to two; and EFC less than or equal to the current Pell EFC maximum	90.41%	85.3%	7.91%
Dependent students; Parent AGI between \$40,001 and \$60,000; Parent cash < \$10,000; and Tax deferred pensions > 0	90.32%	49.2%	1.61%
Dependent students; Parent AGI between \$40,001 and \$70,000; estimated filer	95.10%	65.4%	7.50%

Source: Quality Assurance Program Data. 2011-12, N=154,667 and 2010-11, N=64,310

Table 3 presents five criteria that were extremely efficient in terms of only selecting records for verification that experienced a change to EFC. At least 98 percent of the records selected by these criteria experienced an EFC change when subjected to verification. In comparison about half of the records in the random sample of 2010-11 that were selected by the CPS (48.6 percent) and School (55.7 percent) experienced a change to EFC.

Table 3: QA School Criteria with Highest Percent of Records with an EFC Change

Criteria Description	Percent at School with an EFC Change	Percent in Random Sample with an EFC Change	Percent of Random Sample Meeting Criteria
State grant eligible students - EFC between \$5,273 and \$8,000, state residents, filed a FAFSA by March 1, 2011	100.0%	80.2%	4.1%
Dependent students; EFC \$1 - \$6,000; Parent AGI of \$75,000 or more. Exclude if the parent(s) used the IRS function and did not alter data	100.0%	86.5%	1.5%
Dependent students; Parent AGI \$40,001- \$70,000; estimated filer	99.0%	91.9%	7.5%
Dependent students; no professional judgment; EFC > \$100; student AGI > \$15,000 and Parent AGI < \$80,000	98.7%	75.4%	0.21%
Dependent students; parent estimated filer, and EFC between \$5,274 and \$7,911	98.2%	81.5%	5.6%

Source: Quality Assurance Program Data. 2011-12, N=154,667 and 2010-11, N=64,310

All of the records selected by two of these criteria experienced a change to EFC. The first of these 100-percent-criteria-selected applicants who were eligible for a state scholarship, by having an EFC just above Pell eligibility who having had completed a FAFSA by March 1. The second all-EFC-change-criteria targeted dependent students with low, but not zero EFC (\$1-\$6,000) applicants who had relatively high parental adjusted gross incomes (above \$75,000).

Four of the five criteria that selected very few records where EFC was not affected by verification exclusively targeted dependent

students. Three of the five specified an EFC range that did not include zero EFC. Two of these criteria were quite similar in that they targeted applicants who were initially ineligible for Pell Grants but whose initial EFC was less than approximately 8,000.

Across all three of the metrics we used to identify the most effective QA school verification criteria, we found that the most successful criteria tended to include multiple ISIR fields. This strategy allowed schools to effectively target their verification efforts on students likely to receive more or less in Pell Grant assistance than they were entitled to. Many of these combinations of multiple ISIR fields involve the use of EFC or AGI ranges. The next section of this report examines the results of QA school verification for groups defined by ranges of these fields as well as the applicants' use of the IRS data transfer functionality available when completed their FAFSA on the web.

Efficiency of QA School Verification across Different Types of Students

In the previous section, we found many of the most efficient QA school criteria targeted applicants with EFC and income values within ranges that previous analysis had found most prone to need correction. Using value ranges based on EFC, Parent AGI, and Student AGI, we defined groups of students to determine if we could identify problematic ranges among all records that met QA schools selection criteria. Because the survey results in **Figure 10** indicated that approximately one in five QA schools exempt students from further verification when they transfer IRS data into FAFSA without making any changes, we also defined groups based on their values on the IRS data transfer flag.

It is important to keep in mind when reviewing results presented in this section that they are based exclusively on records that met QA school verification selection criteria in 2011-12. The data presented reflects only changes that current school verification practices are capturing. Any mistakes among applicants among those currently not being selected by QA are not reflected. Therefore, this analysis is comparing the relative efficiency of current QA school verification across different student groups.

Tables 4 and 5, below, present the same three metrics used in the section above to identify the most efficient selection criteria. **Table 4** presents data for dependent students and **Table 5** presents data for independent applicants. In addition to metric values both tables present the distribution of records across the different categories in both the 2011-12 selected and 2010-11 random sample data. When the percentages from these two data sources differ, it indicated that QA schools are concentrating on or avoiding that particular group in their school verification efforts. Note that most of the applicants in the 2010-11 random sample had submitted their initial application prior to the IRS retrieval functionality of the FAFSA being available. Therefore, we did not include the sample distributions across the categories for IRS transfer flag.

Table 4: Efficiency of QA School Verification: Dependent Students

	Average Pell Change	Percent with a Pell Change	Percent with an EFC Change	Percent selected by QA Schools for verification in 2011-12	Percent in 2010-11 Random Sample
EFC					
Zero	\$406	18.3%	18.4%	18.8%	23.6%
\$1 to \$5,273	\$906	78.2%	83.0%	57.8%	38.3%
\$5,274 to \$9,999	\$435	24.7%	88.4%	12.9%	13.2%
\$10,000 to \$14,999	\$303	8.9%	88.1%	4.8%	9.5%
\$15,000 to \$19,999	\$360	10.3%	86.1%	2.4%	6.4%
\$20,000 to \$24,999	\$304	9.4%	81.9%	1.1%	3.1%
\$25,000 or more	\$417	12.0%	72.1%	2.3%	5.9%
Parent Adjusted Gross Income					
Negative	\$576	24.4%	28.7%	1.3%	0.9%
Zero	\$347	12.2%	12.7%	4.2%	4.9%
\$1 to \$19,999	\$344	18.8%	20.1%	9.0%	12.2%
\$20,000 to \$34,999	\$657	50.7%	54.9%	18.1%	17.4%
\$35,000 to \$49,999	\$877	78.2%	87.0%	26.7%	16.5%
\$50,000 to \$74,999	\$843	65.5%	89.7%	26.5%	20.3%
\$75,000 or more	\$437	20.5%	84.0%	14.2%	27.8%
Student Adjusted Gross Income					
Negative	\$584	37.7%	69.9%	0.3%	0.3%
Zero	\$675	51.5%	66.8%	53.6%	50.4%
\$1 to \$7,499	\$715	56.8%	78.0%	34.4%	38.3%
\$7,500 to \$14,999	\$649	51.4%	75.5%	9.4%	8.6%
\$15,000 to \$24,999	\$672	30.9%	66.8%	1.5%	1.7%
\$25,000 to \$39,999	\$1,797	50.4%	74.2%	0.3%	0.3%
\$40,000 or more	\$1,146	38.8%	91.2%	0.4%	0.3%
Parent IRS Transfer Flag					
Blank	\$727	50.4%	66.4%	8.5%	small n
Request not sent	\$722	53.8%	72.9%	78.6%	small n
Request sent	\$539	51.7%	69.9%	5.9%	small n
Transferred, not changed	\$441	48.4%	67.5%	6.5%	small n
Transferred, changed	\$363	24.4%	40.5%	0.5%	small n
Transferred (correction)	\$617	34.4%	39.3%	0.1%	small n

Source: Quality Assurance Program Data. 2011-12, N=110,065 and 2010-11, N=43,936

Reading the table right to left, the first column after the category labels presents the average absolute value change in Pell Grant. Recall from the section above that the most efficient QA selection criteria had average Pell change amounts well over \$1,000 and the average Pell change among records flagged by the CPS in the 2010-11 random sample was \$551.

Looking down the Average Pell Change column for dependent students in **Table 4** finds the highest values for: EFC values between \$1 and \$5,273; Parent AGI values between \$35,000 and \$74,999; Student AGI above \$25,000; and applicants who did not use the IRS retrieval when completing their initial FAFSA. Many of the QA School's criteria reflect these findings. Concentrating on those initially eligible for Pell, but excluding those with zero EFC, and focusing on parents with middle incomes are common QA school verification strategies. One reason for applicants not using the IRS retrieval functionality of the FAFSA is not having filed their tax return yet. Many QA schools select estimated filers for verification. We have not been aware of QA schools focusing on extremely high student income among dependent students and such values are rare. Less than 1 percent of dependent students had student incomes above \$25,000, but such entries seem likely to be the result of applicants reporting their parents' income in the wrong place.

Reviewing the Percent with a Pell Change column in **Table 4** generally identifies the same categories as being the most problematic. Low values of student AGI are also problematic, however, in terms of having a relatively high probability of a Pell change.

The Percent with an EFC Change column in **Table 4** shows that in general the higher the EFC or AGI, the more likely an EFC change if verified. This makes intuitive sense as greater incomes are likely to involve more of the data elements captured on the FAFSA, e.g., untaxed income and investments, and thus simply more opportunity for applicants to make a mistake. Dependent students with zero EFC and applicants with Parent AGI between zero and \$20,000 are quite unlikely to experience an EFC change when selected by a QA school for verification. Even if the verification of these low-income individuals found the need to correct an ISIR data element, the EFC remained the same for at least 80 percent of the applicants in these groups. Note also that two-thirds of the records that QA schools selected for verification that used the IRS retrieval and did not make a change to tax data still experienced a change to EFC. This finding underscores the fact that non-IRS data can and does affect EFC.

The final two columns in **Table 4** compare the percentages of the groups among the records selected for verification in 2011-12 and

the random sample in 2010-11. The higher values in the selected for verification column for EFC values between \$1 and \$5,273 and Parent AGI values between \$35,000 and \$74,999 indicate QA schools were effectively targeting these ranges with the verification procedures. The nearly equal percentages in the two columns for Student AGI above \$25,000 indicate QA schools are not concentrating their verification efforts on preventing potential Pell Grant underpayments among the small population of dependent students who initially report a substantial AGI of their own.

Table 5 indicates more subtle differences between categories among independent applicants than we found for dependent students. That is, the differences between the high and low values were less for all three metrics for independent students.

In the Average Pell Change column, in **Table 5** the highest values were: EFC values between \$1 and \$9,999; EFC values above \$25,000; Student AGI of zero; Student AGI above \$15,000; and applicants who did not use the IRS retrieval when completing their initial FAFSA. Independent students with an initial EFC of \$5,274 to \$9,999 and hence initially ineligible for a Pell Grant who were selected for QA school verification experienced a higher average Pell change than those initially eligible for a Pell Grant (EFC of zero or \$1 to \$5,273). While comprising less than 1 percent of the records QA schools selected for verification, independent students with an initial EFC of \$25,000 or more had the highest average Pell change of any group. Across the groups of applicants defined by Student AGI, we found higher average Pell changes for both zero incomes and incomes above \$15,000. Student incomes other than what an entry-level employment would provide seem suspect. Just as we found for dependent students, not using the IRS data retrieval was associated with higher average Pell changes, perhaps because tax returns had not yet been filed.

Reading left to right in **Table 5**, the next column presents the percent of records that experienced a change to a Pell Grant when verified. The majority of only one group of independent applicants experienced a change to a Pell Grant. Nearly two-thirds of the independents with an EFC between \$1 and \$5,273 experienced a Pell change. The fact that the average Pell change for this group was only \$600 means that many of the changes to Pell were small.

Table 5: Efficiency of QA School Verification: Independent Student

	Average Pell Change	Percent with a Pell Change	Percent with an EFC Change	Percent selected by Schools for verification in 2011-12	Percent in 2010-11 Random Sample
EFC					
Zero	\$513	16.7%	19.0%	55.5%	54.9%
\$1 to \$5,273	\$600	65.2%	81.3%	36.7%	29.2%
\$5,274 to \$9,999	\$735	27.0%	81.5%	5.1%	8.5%
\$10,000 to \$14,999	\$328	8.8%	77.6%	1.4%	3.6%
\$15,000 to \$19,999	\$435	12.1%	75.8%	0.6%	1.6%
\$20,000 to \$24,999	\$413	9.7%	79.1%	0.3%	0.8%
\$25,000 or more	\$1,165	26.3%	74.1%	0.5%	1.3%
Student Adjusted Gross Income					
Negative	\$198	5.9%	13.6%	0.8%	0.5%
Zero	\$690	17.1%	18.7%	15.6%	16.8%
\$1 to \$7,499	\$496	13.8%	16.1%	14.1%	17.3%
\$7,500 to \$14,999	\$405	39.1%	49.8%	22.1%	17.5%
\$15,000 to \$24,999	\$606	47.8%	61.2%	21.2%	18.3%
\$25,000 to \$39,999	\$576	39.1%	56.4%	13.0%	15.3%
\$40,000 or more	\$630	48.1%	75.7%	13.2%	14.2%
Student IRS Transfer Flag					
Blank	\$667	32.1%	38.4%	3.5%	small n
Data request not sent	\$594	34.8%	46.6%	72.2%	small n
Data request sent	\$512	37.1%	48.8%	7.7%	small n
Transferred, not changed	\$391	37.0%	49.8%	14.8%	small n
Transferred, changed	\$350	20.2%	28.6%	1.8%	small n
Transferred (correction)	\$416	24.4%	28.9%	0.1%	small n

Source: Quality Assurance Program Data. 2011-12, N=44,602 and 2009-10, N=20,374

The third metric was a change to EFC. As with dependent students, there was a general tendency for higher EFC and AGI ranges to be more likely to experience a change to EFC when selected for school verification. Again only a minority of the lowest income, student AGI less than \$15,000 or EFC of zero, experienced a change to EFC when verified by QA schools.

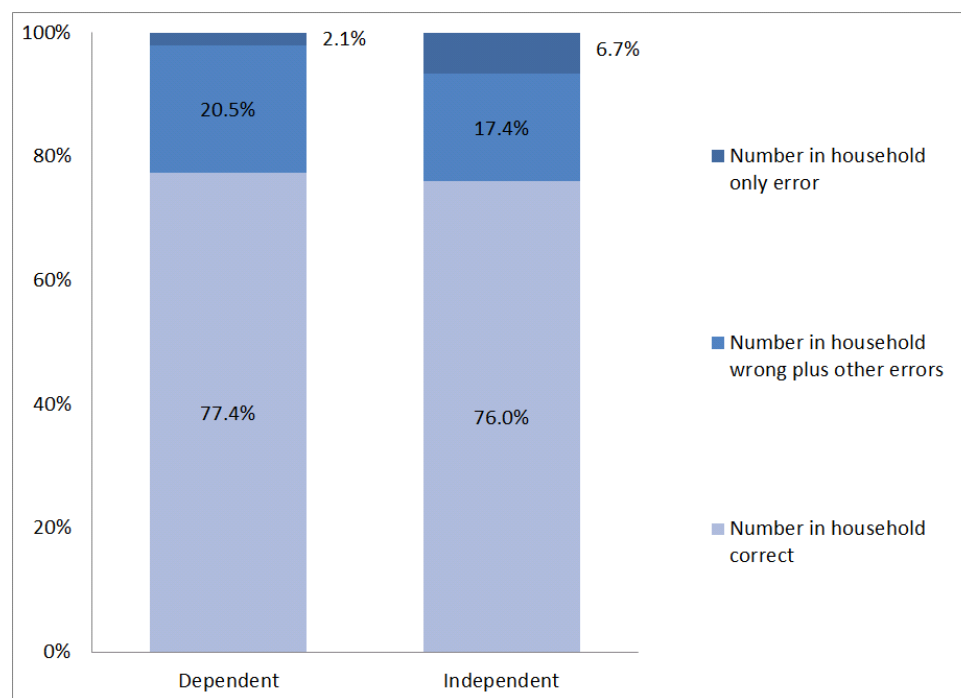
The final two columns in **Table 5** indicate the majority of the independent records selected for school verification in 2011-12 and the random sample in 2010-11 had an initial EFC of zero. The zero EFC group comprised approximately 55 percent of the total in both populations, meaning the QA schools were neither targeting nor avoiding independent students with zero EFC in their school verification efforts. QA schools were targeting independent records with an initial EFC of \$1 to \$5,273. This group comprised a larger percentage of records selected for verification, 36.7 percent, than it did in the random sample, 29.2 percent. This strategy finds support in the high percentage of independent records with initial EFC ranges between \$1 and \$5,274. The tendency for QA schools to avoid verifying independent applicants with an EFC above initial Pell eligibility may be problematic, because the highest average Pell Grant changes observed among the records selected for QA verification occurred when the initial EFC was between \$5,274 and \$9,999 and above \$25,000. QA schools would need to analyze their own random sample data to see if their school selection criteria were failing to address these potential underpayments in the Pell Grant program.

Errors Applicants Made on Counts of People

FSA is exploring a targeted verification strategy toward student reports of household size and number of students enrolled in postsecondary education. We examined the accuracy of these two data elements, not available through the IRS data retrieval when completing the FAFSA on the web, using data provided by QA Program schools random samples from the 2010-11 award year. **Figures 16 and 18** indicate dependent and independent applicants generally report household size and number enrolled in postsecondary education correctly.

Figure 17 addresses how frequently household size is misreported and how frequently it is accompanied by additional errors on the application by dependency status. For both dependent and independent students more than three quarters of the applicants initially reported household size correctly. Applicants are more likely to misreport household size in combination with other errors on their initial application.

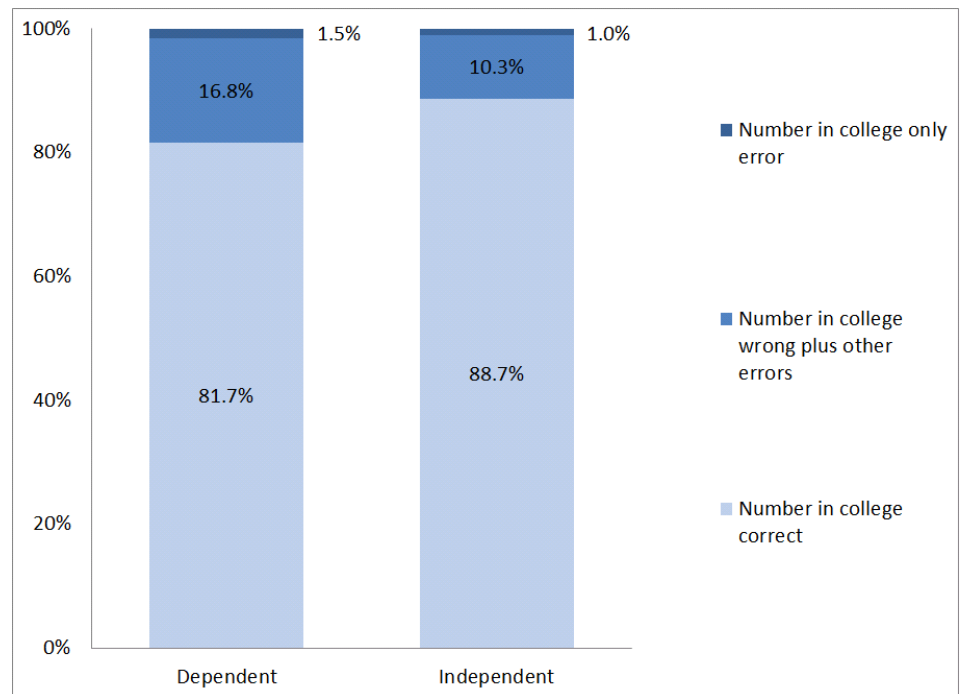
Figure 17: Misreports of Household Size on Initial Transaction



Source: Quality Assurance Program Data. 2010-11, N=64,310

Figure 18 focuses on the accuracy of dependent and independent applicants reporting number of family members enrolled in postsecondary education. The accuracy of these reports for both dependent and independent applicants was even better than their reports of household size. Just as we found for household size, mistakes on initial reports of the number of family members were much more likely to be found in combination with other errors.

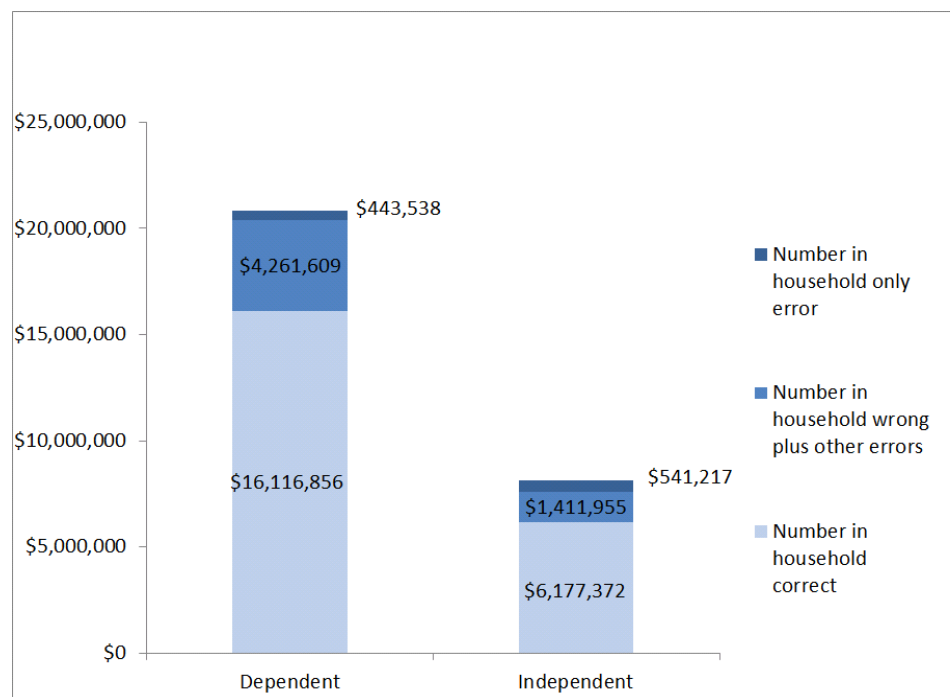
Figure 18: Misreports of Number in College on Initial Transactions



Source: Quality Assurance Program Data. 2010-11, N=64,310

Figure 19 addresses the impact of misreports of the number in the applicant's household on potential improper Pell Grants payments. As previously reported in **Figure 17**, household size is rarely the only error on the application, therefore most of the effect of mistakes in reporting household size on improper Pell Grant payment is in combination with mistakes on other FAFSA data elements. Because only a small fraction of both dependent and independent applicants only make a mistake in reporting household size, targeting reports of household size without considering the changes to other FAFSA data elements will only correct a small fraction of potential improper Pell Grant payments.

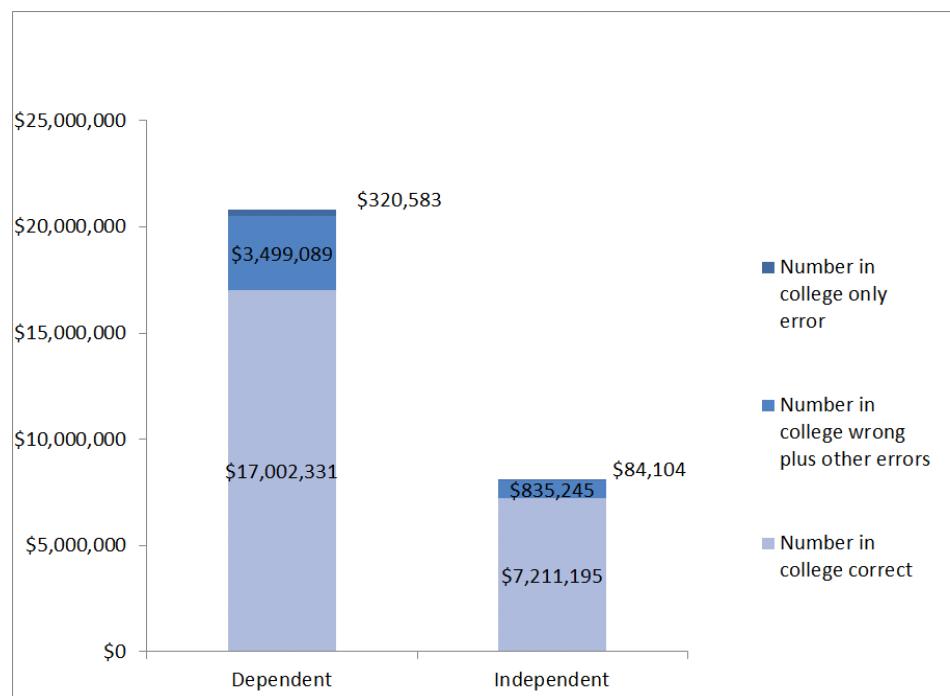
Figure 19: Sum of Improper Pell Grant Payments by Accuracy of Initial Reports of Household Size



Source: Quality Assurance Program Data. 2010-11, N=64,310

Figure 20 illustrates the effect misreporting the number of students enrolled in postsecondary education on improper payments in the Pell Grant program. As with reports of household size, the overwhelming majority of dependent and independent applicants initially reported number in college correctly. Changes to other data elements were responsible for the lion's share of potential improper payments: \$17.0 million for dependent applicants and \$7.2 million for independent applicants. In comparison only \$320,583 for dependent students and \$84,104 for independent students in improper Pell Grant payment were due solely to mistakes in reporting the number of family members in college. **Figure 20** indicates nearly all of the impact of misreporting the number of students attending college occurs among students who also initially misreport other FAFSA data elements such as income, taxes paid and other financial information.

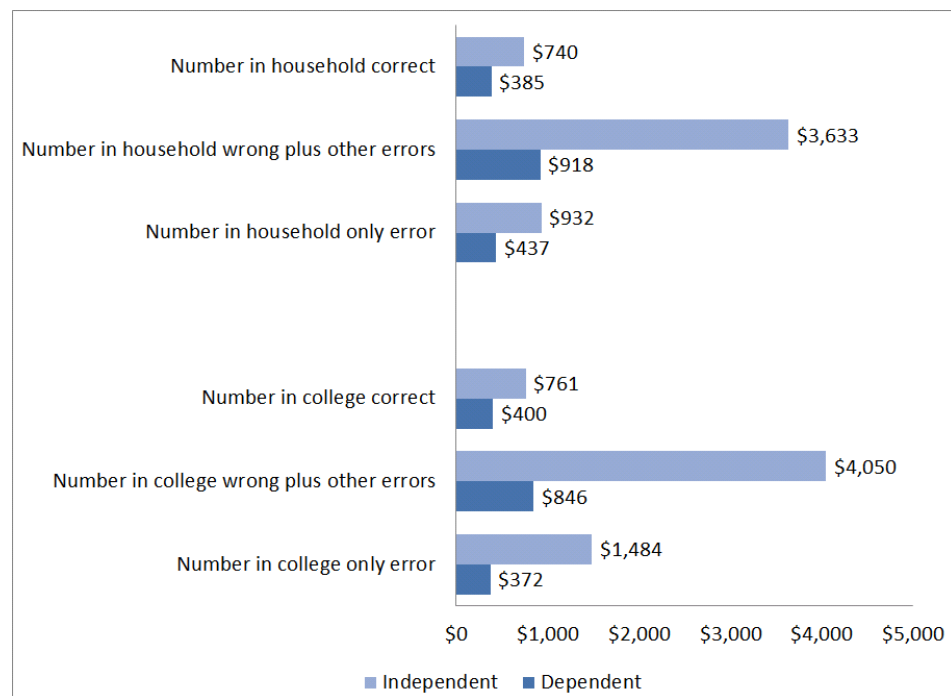
Figure 20: Sum of Improper Pell Grant Payments by Accuracy of Initial Reports of Number in College



Source: Quality Assurance Program Data. 2010-11, N=64,310

Figure 21 combines the information in the four previous exhibits. It divides the sum of the improper payments in the Pell Grant program displayed in Figures 19 and 20 by the number of records in each category that were used to calculate the percentages displayed in Figures 17 and 18. This produces the average absolute value change to Pell Grant awards. Among independent students who misreported either the number in household or the number of family members in college and also made a mistake on another critical field, the average change to a Pell Grant exceeded \$3,600. Among dependent students the combination of error was also associated with the highest average corrections to Pell Grants, but the average changes here were less than \$1,000.

Figure 21: Average Improper Pell Grant Payments by Accuracy of Initial Reports of Household Size and Number in College

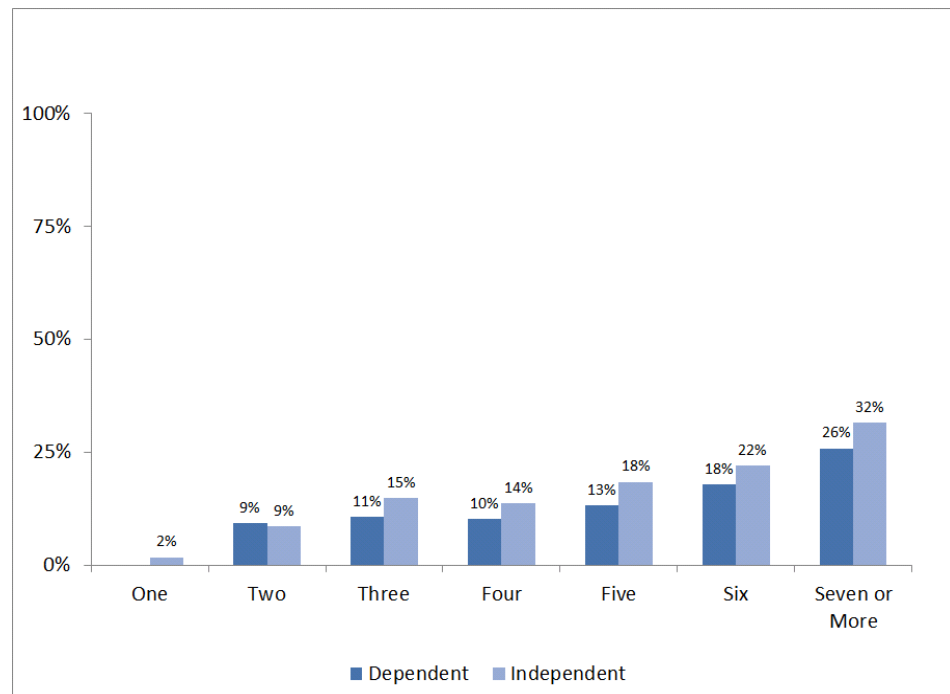


Source: Quality Assurance Program Data. 2010-11, N=64,310

Figures 21 and 22 capture the magnitude of changes in misreporting “people counts” in relation to the number in an applicant’s household and the number of people in the applicant’s family claimed to be enrolled in postsecondary education. There is very little change occurring when an applicant claims only themselves. Dependent student reports of household sizes of two or three and independent reports of one are generally correct. Likewise, claims of only one family member (themselves) are right at least 98 percent of the time.

Exhibit 21 indicates a steady increase in the percentage of applicants that misreport household size as the initial report of household size increases.

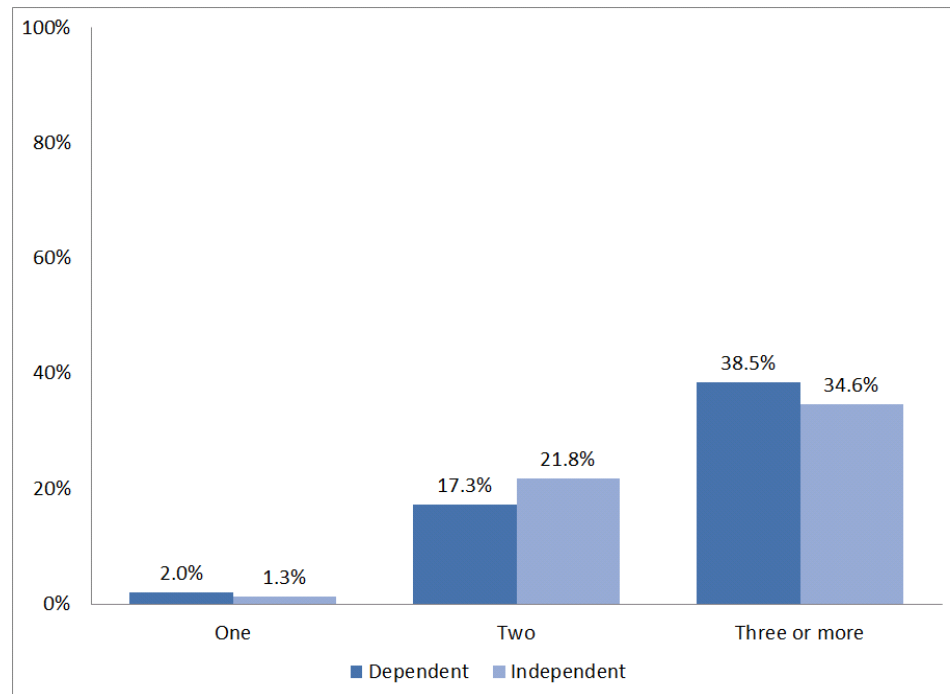
Figure 21: Misreports of Household Size on Initial Transaction by Initially Reported Household Size



Source: Quality Assurance Program Data. 2010-11, N=64,310

Likewise, **Figure 22** shows reports of multiple family members in college are more likely to be incorrect. If Pell Grant awards were based on information initially reported by the applicant, the likelihood of change to EFC, eligibility and the amount of Pell Grant award is greater as the number of “people counts” increases.

Figure 22: Misreports of Number in College on Initial Transactions by Initially Reported Number in College



Source: Quality Assurance Program Data. 2010-11, N=64,310

Implications

The 143 schools participating in the QA Program during the 2010-11 award year are not a random sample of all Title IV institutions. With average enrollments above 22,000, however, QA schools are large enough to enroll all types of postsecondary students, traditional, non-traditional, etc. Collectively, they disbursed more than ten cents out of every Pell dollar awarded during the 2010-11 award year. The efficiency of QA School verification efforts is important to monitor and may identify effective practices to improve the accuracy of aid awards at other Title IV institutions.

The QA Program provides the Department with a laboratory for trying alternatives to CPS-proscribed verification. The results of this report have important implications for the delivery of the program itself as well as for FSA verification procedures at non-QA Program schools.

Future Delivery of the QA Program

FSA staff responsible for administering the QA Program should build upon their successful web-based delivery of IA Tool. FSA also should renew efforts to focus QA schools' attention on making sure that their school verification efforts are not missing students that should be verified.

This year's survey of QA Program participants indicated nearly all of the QA schools found the web-based software (94 percent) and web-based training (90 percent) delivered by FSA useful. Hence, QA Program staff should continue to utilize the internet in delivering the IA Tool.

The survey also found twice as many QA schools modified their verification selection criteria between the 2011-12 and 2012-13 award years to reduce the number of applicants selected (49 percent) than to increase the number of applicants selected (25 percent). While the reduction in unnecessary verification is one of the goals of the QA Program, so is ensuring that all the applications that need to be verified are selected for verification. The fact that QA school verification efforts in 2011-12 simultaneously corrected a greater percentage of potential Pell Grant over-awards and selected a smaller percentage of records that did not experience a change to EFC indicates that QA schools can reduce the burden of verification while also improving their stewardship of federal aid dollars. Still, given the preponderance of QA schools reducing the number of applicants subject to verification, QA staff should concentrate their 2013-14 award year training efforts on identifying types of students to add to QA school verification efforts. QA schools will again be verifying all the applicants selected into a random sample during the 2013-14 award year.

CPS Verification at Non-QA Schools

The results of this report have four implications for CPS verification policy. First, the data from the QA schools provides a reminder that most Pell Grant awards are not affected by verification. Given this, verification should be targeted to focus on applicants most likely to experience a change, avoiding unneeded institutional expenses that contribute to the broader trend of increasing postsecondary costs. Second, the QA schools have developed verification selection criteria that are very effective in targeting applicants most at risk for an improper Pell Grant payment and very efficient in terms of selecting only those records that experienced a change to EFC when verified. FSA should examine ways to incorporate some of these effective practices within CPS verification. Third, an analysis of the corrections made to applicants reports of household size and number of family members in college reveals that not only are mistakes rare on these fields, but on their own, errors on these fields pose only a minor risk for improper Pell Grant payments. Finally, many QA schools continue to rely on paper copies of applicant's tax returns in addition to or even instead of IRS data retrieved through the FAFSA or provided on an IRS transcript to document income and tax data. A subset of QA schools are currently participating in a voluntary study to determine how often information on the sources differs and how often the additional information available on the paper return detects a meaningful change in eligibility for need-based aid. When available these data will provide valuable insight in how best to document income and tax information.

A review of the most recent sample data from the 2010-11 award year revealed an important point to keep in mind in all verification analysis. The vast majority of Pell Grant dollars were unchanged by their recipients supplying documentation of their FAFSA information. Eighty-six percent of Pell Grant dollars would have been awarded properly if they had been based solely on initial transaction data. QA school verification efforts prevented approximately half of both the 8 percent of dollars that constituted potential over-awards and the 6 percent of dollars that were at risk for being under-awards.

The most effective QA school verification selection criteria in terms of correcting potential improper Pell Grant payments: concentrated on dependent students; combined multiple ISIR fields; focused on estimated filers; used data beyond what is available on the ISIR, including information from the prior award years; and selected records with relatively high federal taxes paid to adjusted gross income ratios. FSA should review the specific criteria in **Tables 1 and 2** and look for ways to apply these effective practices in the selection of records for CPS verification.

The most efficient QA school verification selection criteria in terms of selecting only applicants that experienced a subsequent change to EFC: targeted applicants with low EFCs but excluded zero EFCs; focused on

dependent applicants; and included applicants that had an initial EFC that, while modest, was too high for Pell Grant eligibility. FSA should review the specific criteria in **Table 3** and look for ways to apply these effective practices in the selection of records for CPS verification. In particular, FSA should attempt to improve the ability of CPS verification to prevent potential underpayments in the Pell Grant program by effectively targeting applicants whose initial EFC is just above Pell Grant eligibility.

The information on a student's household size and number in college reported on the FAFSA factors into the calculation of EFC. These two data fields are not available through the FAFSA's IRS retrieval capability. We analyzed the QA school random sample data from 2010-11 to see how often applicants misreported these two fields and how inaccuracies affected Pell Grants. Students were generally quite accurate in their initial reports of household size and number in college. We also found that the tendency of an applicant to make a mistake increased with the size of family and the number in college initially claimed. Further, we found that among the minority that did misreport either of these fields, most made other mistakes that affected their eligibility for Pell Grants. The most pronounced risk for improper payments is among applicants who misreport these counts of people and misreport other fields that factor into the calculation of EFC. This finding in the QA data has implications for FSA in potentially targeting household size and number in college for verification. Any such future targeted verification efforts should focus on initial reports of larger household size and claims of multiple family members in college. Unless tax information was transferred without change from the IRS during the initial application, FSA should consider requiring that applicants asked to verify their household size or number in college data also verify their IRS data.

Finally, the survey found that despite the Department's move toward requiring schools not participating in the QA Program to document income and tax information through the IRS retrieval functionality of the FAFSA or with an IRS transcript, many QA schools are reluctant to abandon their reliance on paper copies of federal tax returns provided by aid applicants. In 2011-12, nearly half (44 percent) of QA Schools continued to collect paper copies of federal tax returns to document untaxed income from at least some of their students who meet their school verification selection criteria, even if the applicant used the new IRS retrieval functionality of the FAFSA on the web. These QA schools believe they still need to review a complete copy of a family's tax returns to get the full picture of a family's ability to pay for college. During the 2012-13 award a subset of approximately twenty QA schools are testing this belief by participating in an empirical study with FSA. By documenting the information in both fashions and using the ISIR Analysis Tool to compare the two transactions, this study will determine the degree to which income and tax information from the two sources

differ and how differences between the sources of documentation affect Pell Grant awards and eligibility for other need-based aid.

Appendix: Survey Questions

This appendix lists the questions from the survey of schools participating in the QA Program during the spring of 2012. Basic information about how the responses were collected is provided after the question in italics.

Paperwork Burden Statement

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. The valid OMB control number for this information collection is 1845-0045. The time required to complete this information collection is estimated to average thirty minutes per response, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to:** U.S. Department of Education, Washington, D.C. 20202-4700. **If you have comments or concerns regarding the status of your individual submission of this form, write directly to:** Anne Tuccillo, 830 First Street, N.E., Room 83G2, Washington, D.C. 20202.

1. Name of Institution: *(drop down menu of participating schools)*

2. Your School's OPE ID: *(drop down menu of participating schools)*

3. Overall how useful do you find the ISIR Analysis Tool? *(radio button, one and only one)*

- Very useful
- Somewhat useful
- No opinion
- Not very useful
- Not at all useful

4. Overall how useful do you find the Standard Reports available in the ISIR Analysis Tool? *(radio button, one and only one)*

- Very useful
- Somewhat useful
- No opinion
- Not very useful
- Not at all useful

5. Select the Standard Reports available in the ISIR Analysis Tool that you find useful? Check all that apply? *(check box, one or more)*

- Sample Summary
- Pell Eligibility by Dependency Status
- Verification Summary
- Verification Tracking Flags
- EFC Impact Analysis
- Student Listing
- Field Change
- Student Detail
- Field Increments
- I don't find any of the Standard Reports useful

6. How useful do you find the 2011-12 Shared Reports (stored under Southern Illinois – Edwardsville) that produce graphical representations of the number of records and sum of absolute value changes to Pell Grants in various student groups? *(radio button, one and only one)*

- Very useful
- Somewhat useful
- No opinion
- Not very useful
- Not at all useful

7. How useful do you find the 2011-12 Shared Details Report (stored under Southern Illinois – Edwardsville) that produce an active report that allowed you to create your own pivot tables? *(radio button, one and only one)*

- Very useful
- Somewhat useful
- No opinion
- Not very useful
- Not at all useful

8. How useful do you find the “Ad hoc” Reporting Applications (Report Assistant and Info Assist) available in the ISIR Analysis Tool in terms of creating your own customized reports? *(radio button, one and only one)*

- Very useful
- Somewhat useful
- No opinion
- Not very useful
- Not at all useful

9. How useful did you find the Microsoft LiveMeeting training sessions presented by the QA Team? *(radio button, one and only one)*

- Very useful
- Somewhat useful
- No opinion
- Not very useful
- Not at all useful
- I have not attended a QA Team MLM training session

10. How useful did you find the QA Pre-Conference sessions presented by the QA Team? *(radio button, one and only one)*

- Very useful
- Somewhat useful
- No opinion
- Not very useful
- Not at all useful
- I have not attended any QA Pre-Conferences

11. How many people at your school attended the MLM training session or preconference during the fall of 2011? *(text box, 2 digits)*

12. How many people at your school used the ISIR Analysis Tool during this award year (2011-12)? *(text box, 2 digits)*

13. How many people at your school were (or will be) part of the decision making process in setting your school’s selection criteria for the 2012-13 award year? *(text box, 2 digits)*

14. Which of the following apply to the changes your school made to its verification selection criteria between the 2011-12 and 2012-13 award years? (check box, one or more)

- We made no changes to our school verification selection criteria between 2011-12 and 2012-13
- We updated one or more criteria to reflect changes elsewhere in the aid awarding process (e.g., changes to the FAFSA, Pell Grant table, institutional award criteria)
- We completely eliminated one or more of our selection criteria
- We modified previous criteria in order to reduce the number of records selected, eliminating records that analysis suggests are unlikely to experience a meaningful change in aid eligibility
- We modified previous criteria in order to increase the number records selected, adding records that analysis suggests are likely to experience a meaningful change in aid eligibility
- We added one or more completely new school verification selection criteria

15. From the descriptions below please select the one that best describes how your school is documenting Adjusted Gross Income (AGI) and Federal Taxes Paid for the aid applicants selected by your school verification criteria in 2012-13? (radio button, one and only one, open ended if other)

- We require all students to use the IRS retrieval functionality within FAFSA on the Web to confirm the accuracy of tax information or supply an IRS transcript.
- We require all students to supply a paper copy of the tax return.
- We require students to either use the IRS retrieval functionality within FAFSA on the Web to confirm the accuracy of tax information, supply an IRS transcript, or supply a paper copy of the tax return.
- Other [Please describe] (text box, 1000 characters)

16. From the descriptions below please select the one that best describes how your school handles verification for aid applicants who used the IRS retrieval functionality of FAFSA on the Web and do not make in changes on their initial or subsequent transaction in 2012-13? (radio button, one and only one, open ended if other)

- We exempt most such students from school verification entirely
- We limit any verification on these applicants to data not provided by the IRS retrieval functionality
- We require all of these applicants who are selected by our school's criteria to supply a paper copy of the tax return.
- We require at least some of these applicants who are selected by our school's criteria to supply a paper copy of the tax return.
- Other [Please describe] (text box, 1000 characters)

17. From the descriptions below please select the one that best describes how your school plans to document untaxed income data that is NOT provided by the IRS retrieval functionality of FAFSA on the Web nor the an IRS transcript? (radio button, one and only one, open ended if other)

- We require all applicants who are selected by our school's criteria to supply a paper copy of their tax return or at least their W2 forms.
- We require some applicants who are selected by our school's criteria to supply a paper copy of their tax return or at least their W2 forms.
- We accept not being able to document all untaxed information for students selected by our school's criteria when they provide an IRS transcript or use the IRS retrieval functionality of FAFSA on the web.
- Other [Please describe] (text box, 1000 characters)

18. When your school selects an applicant for verification and his/her household size does not satisfy the federal exemptions – for dependent students, the household size reported on the FAFSA is two and the parent is single, separated, divorced, or widowed; or three if the parents are married; for an independent student, the household size reported on the FAFSA is one and the applicant is single, separated, divorced, or widowed; or two if the applicant is married – does your school ALWAYS require him/her to provide a statement signed by both the applicant and one of the parents of a dependent student, or only the applicant if the applicant is an independent student, that lists (a) the name and age of each household member; and (b) the relationship of that household member to the applicant?

- Yes.
- No, [Please describe what documentation (if any) is collected from which applicants] (*text box, 1000 characters*)

19. When your school selects an applicant for verification and his/her number of household members enrolled at least half-time in eligible postsecondary institutions is greater than one, does your school ALWAYS require him/her to provide a statement signed by both the applicant and one of the parents of a dependent student, or only the applicant if the applicant is an independent student, listing (a) the name and age of each household member who is or will be attending an eligible postsecondary educational institution as at least a half-time student in the 2012–2013 award year; and (b) the name of the eligible institution(s) that each household member is or will be attending during the 2012–2013 award year?

- Yes.
- No, [Please describe what documentation (if any) is collected from which applicants] (*text box, 1000 characters*)

20. When your school selects an applicant for verification and his/her FAFSA indicated that they or their parents received Food Stamps, does your school ALWAYS require him/her to provide documentation from the agency that issues the Food Stamps benefit or alternative documentation as determined by the institution to be sufficient to confirm that the applicant received Food Stamps in 2010 or 2011?

- Yes.
- No, [Please describe what documentation (if any) is collected from which applicants] (*text box, 1000 characters*)

21. When your school selects an applicant for verification and his/her FAFSA indicated that they or one of their parent paid child support does your school ALWAYS require him/her to provide a statement signed by the applicant, spouse, or parent who paid child support certifying (a) the amount of child support paid; (b) the name of the person to whom child support was paid; and (c) the name of the children for whom child support was paid?

- Yes.
- No, [Please describe what documentation (if any) is collected from which applicants] (*text box, 1000 characters*)

22. Please indicate the two Federal Student Aid (FSA) assessments or activities your school will complete during the 2011-12 award year. If your school is participating in the voluntary study in lieu of completing two assessments, please enter "Voluntary Study" in BOTH 22a and 22b.

- 22a: Open ended response (*text box, 500 characters*)
- 22b: Open ended response (*text box, 500 characters*)